



UMEME
Powering Uganda

ANNUAL REPORT 2022



*Service,
Efficiency
& Impact*

Acronyms

AfDB	African Development Bank	Km	Kilometer
AGM	Annual General Meeting	IT	Information Technology
BEL	Bujagali Energy Limited	LAA	Lease and Assignment Agreement
BST	Bulk Supply Tariff	LED	Light-Emitting Diode
CAGR	Compounded Annual Growth Rate	LIBOR	London Interbank Offered Rate
Capex	Capital Expenditure	LV	Low Voltage
CGU	Cash Generating Unit	MEMD	Ministry of Energy and Mineral Development
DOMC	Distribution, Operation and Maintenance Costs	MV	Medium Voltage
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	NSSF	National Social Security Fund
ECL	Expected Credit Losses	OBA	Output Based Aid
ECP	Electricity Connections Policy	OCI	Other Comprehensive Income
EIR	Effective Interest Rate	Opex	Operating Expenditure
ERA	Electricity Regulatory Authority	ORHVS	Operating Regulations for High Voltage Systems
ESG	Environmental, Social and Governance	PL	Profit and Loss
FVoci	Fair Value through Other Comprehensive Income	PSP	Power Supply Price
FVTpl	Fair Value through Profit or loss	PV	Present Value
GDP	Gross Domestic Product	REA	Rural Electrification Agency
GoU	Government of Uganda	RFR	Risk Free Interest Rate
GRI	Global Reporting Initiative	RQ	Reconciling Amount
GW	Giga Watts	SHE	Safety, Health and Environment
GWh	Giga Watt Hour	SMT	Senior Management Team
HVE	Total Energy Purchased	SPPI	Solely Payment of Principal and Interest
IAS	International Accounting Standards	TOU	Time of Use
IBOR	Interbank Offered Rate	UEDCL	Uganda Electricity Distribution Company Limited
IFC	International Finance Corporation	UEGCL	Uganda Electricity Generation Company Limited
IFRIC	International Financial Reporting Interpretations Committee	UETCL	Uganda Electricity Transmission Company Limited
IFRS	International Financial Reporting Standards	URA	Uganda Revenue Authority
IPP	Independent Power Producer	USD	United States Dollars
ISA	International Standards on Auditing	Ushs	Uganda Shillings
IVA	Independent Verification Agency	VAT	Value Added Tax
KV	Kilovolts	WHT	Withholding Tax
kWh	Kilo Watt Hour	WIP	Work In Progress

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01

INTRODUCTION

Integrated Annual Report

1.1 About the report

We are pleased to report to our shareholders and stakeholders on the performance of Umeme Limited for the year ended 31 December 2022.

The Integrated Annual Report highlights our strategic priorities, financial performance, operational results in relation to economic, social, and environmental perspectives, corporate governance and outlook in context of our operating environment, reflecting changes in priorities due to the forthcoming expiry of the concession in March 2025 as notified to shareholders on 8th December 2022.

1.2 Scope and Boundary

The report also covers; value creation to our stakeholders, the electricity supply industry, risks and opportunities, their impact, and outcomes, and highlights matters we consider material for sustainable business operations.

The report covers both financial and non-financial information providing an integrated view of the Company's electricity distribution business.

The Financial Information is prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Companies Act, 2012 of Uganda.

The report is also guided by the principles and requirements of the Uganda Securities Exchange and the Nairobi Securities Exchange.

The financial information relates to the Audited Financial Statements for the year ended 31st December 2022, which appear in the report from page 98 to page 164.

The non-financial information, and the other sections in the report, is derived and summarised from the Company's internal and external data sources.

The report was approved by the Board of Directors on the 24 March 2023.

1.3 Audit and Assurance

The report was reviewed by the Board Audit Committee and approved by the Board of Directors.

The financial report was audited by the Independent External Auditors, Ernst & Young Certified Public Accountants. They also reviewed the entire annual report to ensure consistency of information extracted from the Audited Financial Statements for the year ended 31 December 2022.

1.4 Feedback

We appreciate your feedback on our annual reports for improvement of future reporting. Send your feedback on this report to info@umeme.co.ug and grace.semakula@umeme.co.ug.

About Umeme Limited

Umeme Limited is Uganda's main electricity distribution company, listed on the Uganda Securities Exchange and cross listed on the Nairobi Securities Exchange. The National Social Security Fund with 23.34% shareholding, is currently the largest shareholder. (refer to the list of top ten shareholders on page 136).

The Company operates a 20-year electricity distribution concession from the Government of Uganda that took effect on 1st March 2005 and is due to naturally terminate on the 30th March 2025.

The Government has advised the Company of its intention to let the Concession run to its natural end with the distribution assets and mandate reverting to Government after the settlement of the contractually specified Buyout amount.

The Company is regulated by the Electricity Regulatory Authority, under licence No. 47 for electricity supply and 48 for electricity

distribution. Its mandate includes, operation, maintenance and upgrade of electricity distribution infrastructure, electricity retail and provision of related customer services.

As of 31 December 2022, Umeme was serving over 1.7 million customers categorised into domestic households, commercial enterprises, street lighting and industrial consumers.

Through the Amendment of the Electricity Act, 2022, the structure of the industry was changed from single buyer model to an open relationship between generators, the transmission operators, distributors, and customers.

The Electricity Regulatory Authority is formulating Regulations to operationalise the new industry structure, while protecting the underlying economic fundamentals of existing contracts within the Electricity Supply Industry.



GENERATION

Public and Private Independent Power Producers (IPPs): UEGCL, Eskom, Isimba, BEL and 40 others.



TRANSMISSION

High Voltage Transmission, Export/Import and System Operator. (66kV to 400kV)



DISTRIBUTION

Power distribution to end-users operating between 33kV and 240V

Our service offering

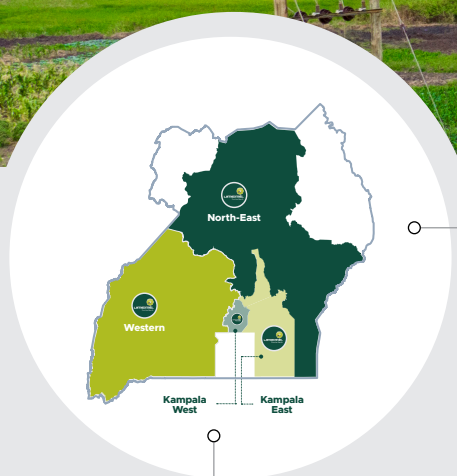
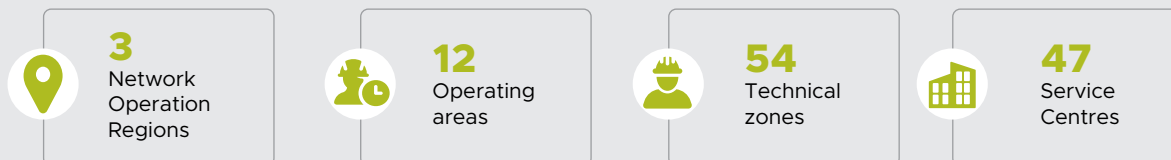




Powering Uganda, empowering Communities

Our Electricity Distribution Footprint

To serve our customers better, the network operations structure comprises of 3 Regions that are further divided into 12 operation areas that are further broken down into 54 technical zones. We have 47 customer service centres across the country.



Commercial Operating Regions

NORTH-EAST

1. Bombo
2. Kasana
3. Magigye
4. Masindi
5. Lira
6. Gulu
7. Kitgum
8. Iganga
9. Kamuli
10. Tororo
11. Mbale
12. Soroti
13. Pallisa
14. Sironko
15. Wabigalo
16. Busia

WESTERN

1. Mbarara
2. Masaka
3. Kasese
4. Fort Portal
5. Bushenyi
6. Hoima
7. Mityana
8. Kabale
9. Mubende
10. Kisoro
11. Rukungiri
12. Lyantonde
13. Ntungamo
14. Ibanda
15. Kiboga
16. Kapeeka

KAMPALA EAST

1. Ntinda
2. Naalya
3. Kireka
4. Jinja
5. Kayunga
6. Lugazi
7. Mukono
8. Kitintale
9. Wandegeya

KAMPALA WEST

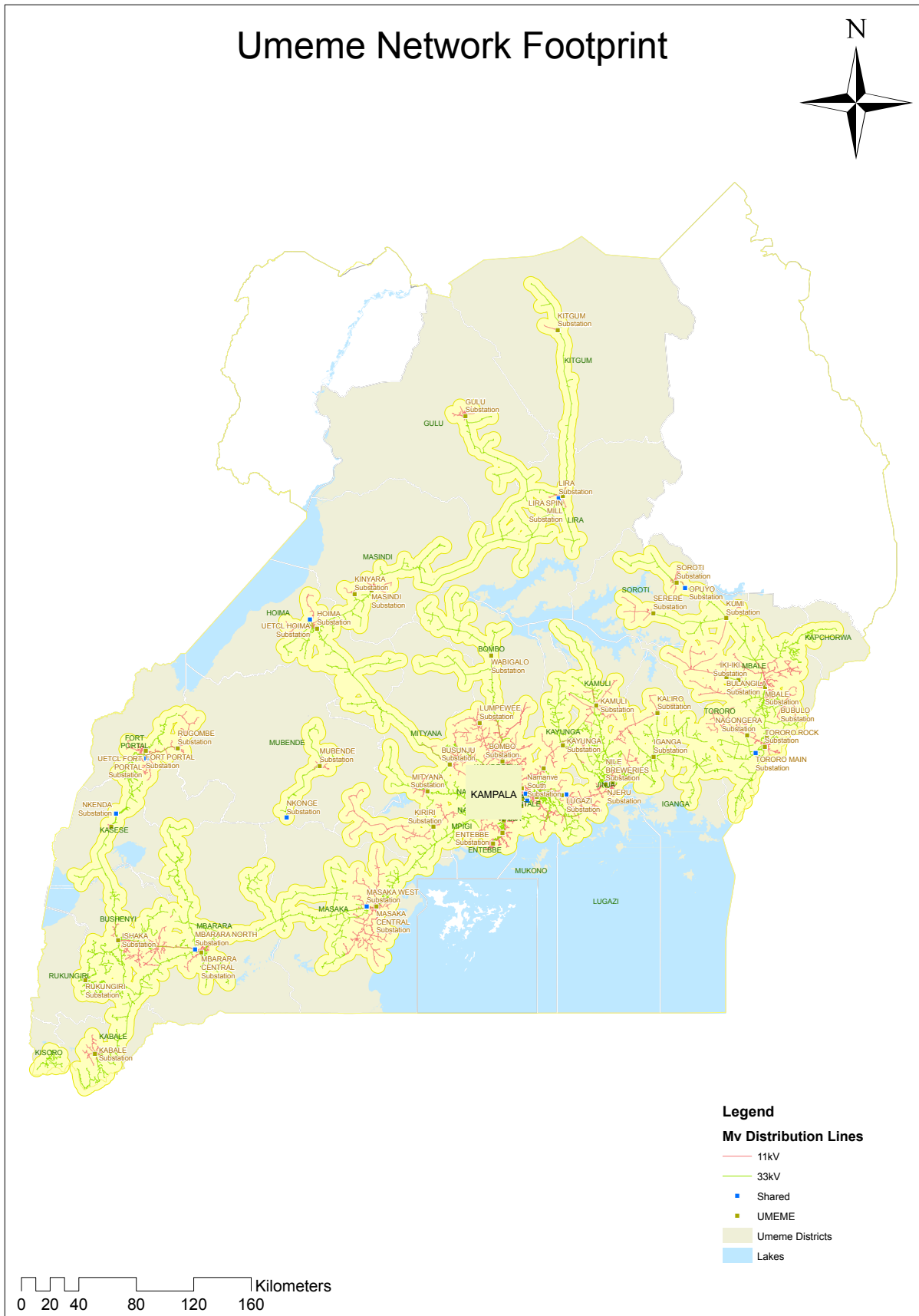
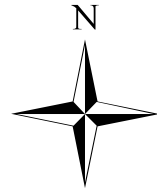
1. Nakulabye
2. Najjanakumbi
3. Entebbe
4. Natete
5. Metro
6. Mpigi
7. Kabalagala



Network Length - KM		
Year	2022	2021
Distribution Lines - MV	17,839	16,635
Distribution Lines - LV	22,803	22,405
Total Route Length	40,642	39,040
Plant Statistics		
Year	2022	2021
Distribution Transformers	15,542	14,833
Distribution Substations	62	61
Distribution Switching Stations	13	13
UETCL Substations / Switching Stations	25	24
UETCL Metering Points	192	171



Umeme Network Footprint



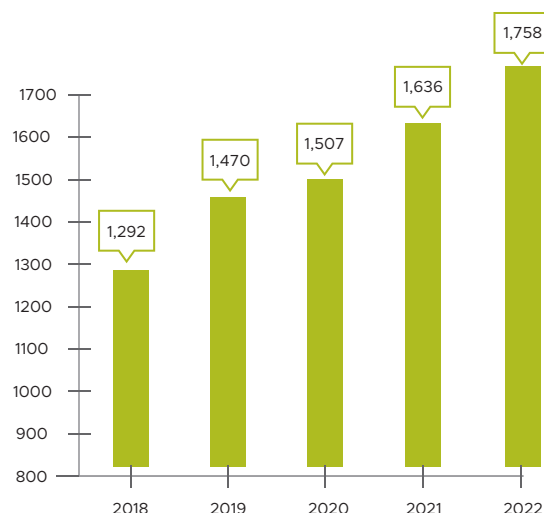
Performance highlights

Number of Customers 1.76 Million

Customer Connections: 121,132 added to the grid reflecting 7% growth in the customer base.

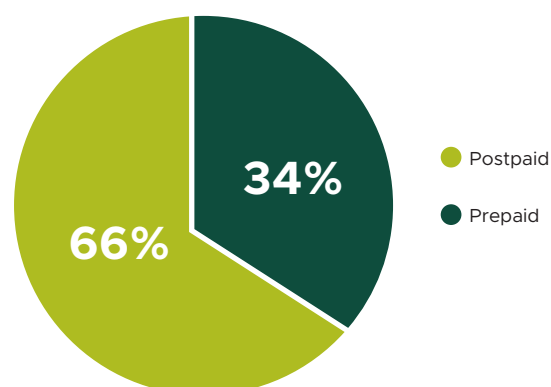
The new customers are split as follows.

- 118,612 Domestic
- 2,487 Commercial and Medium Industrial Customers
- 27 Large Industrial Customers
- 6 Street Lighting Customers



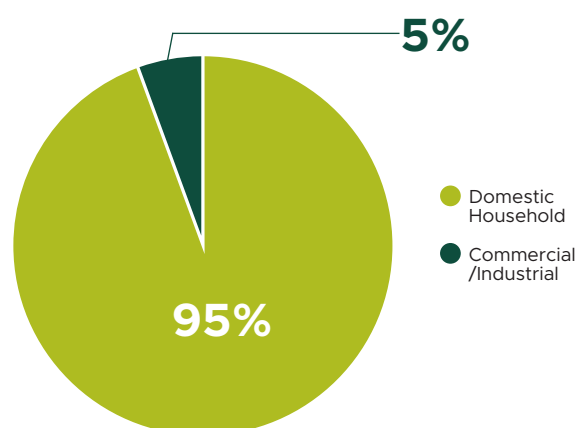
Pre-Paid Yaka- 95% of Domestic Customers

Pre-paid metering (YAKA) constitutes 95% of domestic customers, contributing 34% of the revenues.



Customers by Tariff Category

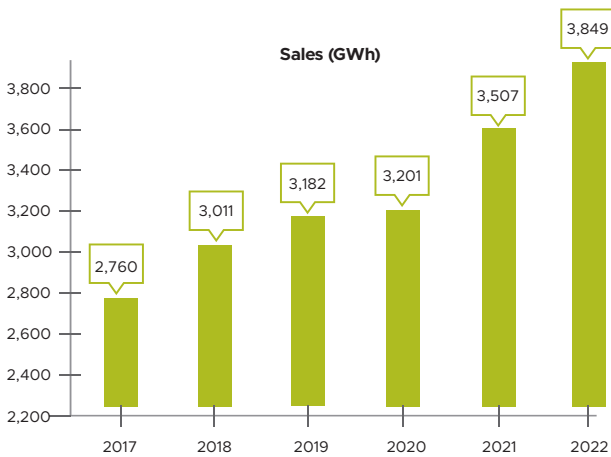
Tariff Category	2022	2021	Growth
Domestic	1,663,391	1,544,779	7.7%
Commercial	89,926	87,641	2.6%
Street Lighting	303	297	2.0%
Industrial-Medium	3,244	3,042	6.6%
Industrial-Large	647	622	4.0%
Industrial-Extra Large	52	50	4.0%
Total	1,757,563	1,636,431	7.4%



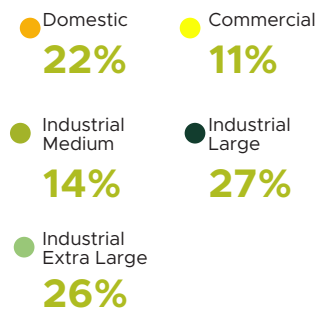
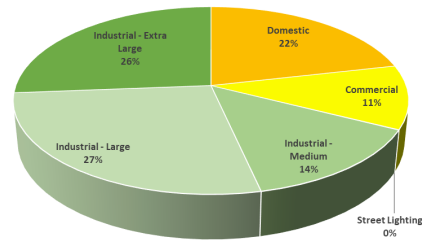
Sales (GWh) by Tariff Category

Tariff Category	2022	2021	Growth
Domestic	825.5	743.3	11.1%
Commercial	422.2	375.3	12.5%
Street Lighting	2.2	1.8	22.2%
Industrial-Medium	540.8	479.6	12.8%
Industrial-Large	1,048.2	911.3	15.0%
Industrial-Extra Large	1,010.2	996.1	1.4%
Total	3,849.1	3,507.4	9.7%

Sales volume increased by 9.7% on account of strong demand from domestic households, commercial and industrial customers. The 5-year CAGR in sales is 5%



Electricity Sales (GWh) Distribution



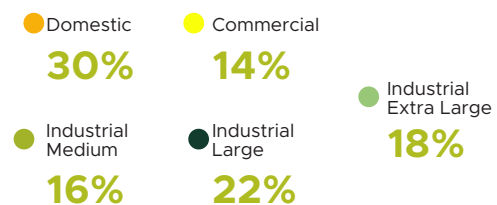
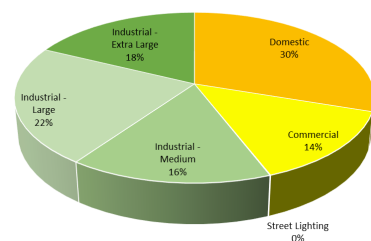
Power at industrial consumption level contributes 66% of sales volume, domestic consumption 22% and commercial activities at 11%

Revenues (Ushs Billion) by Tariff Category

The industrial – Medium tariffs were on average reduced by 13.4%.

Tariff Category	2022	2021	Growth
Domestic	551.3	505.5	9.1%
Commercial	254.9	234.5	8.7%
Street Lighting	0.8	0.7	22.3%
Industrial-Medium	286.6	293.6	-2.4%
Industrial-Large	410.1	360.6	13.8%
Industrial-Extra Large	324.9	316.0	2.8%
Total	1,828.6	1,710.9	6.9%

Electricity Sales (Ushs Billion) Distribution

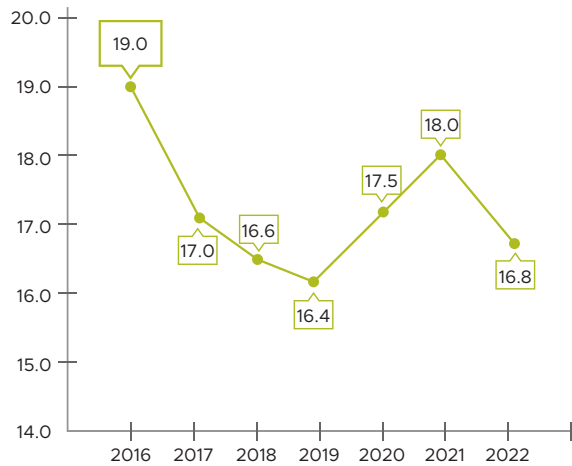


Energy Losses: 16.8%

Energy losses reduced to 16.8% compared to the 18% of 2021, on account of increased loss reduction activities in local communities, new connections, and network optimisation.

Insourcing of some field work previously carried out by third party contractors has greatly contributed to the positive outcome.

The Company shall continue to roll out its loss reduction strategy which targets both technical and non-technical losses.

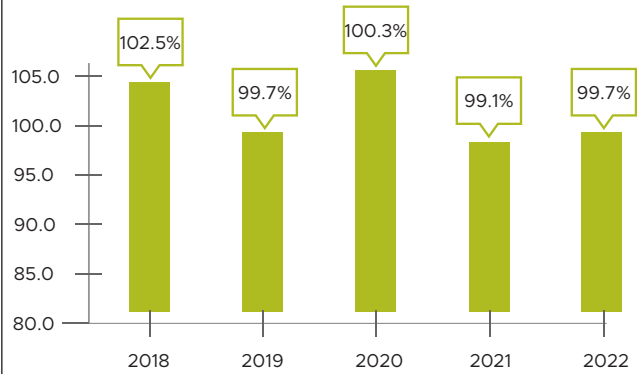


Revenue Collection: 99.7%

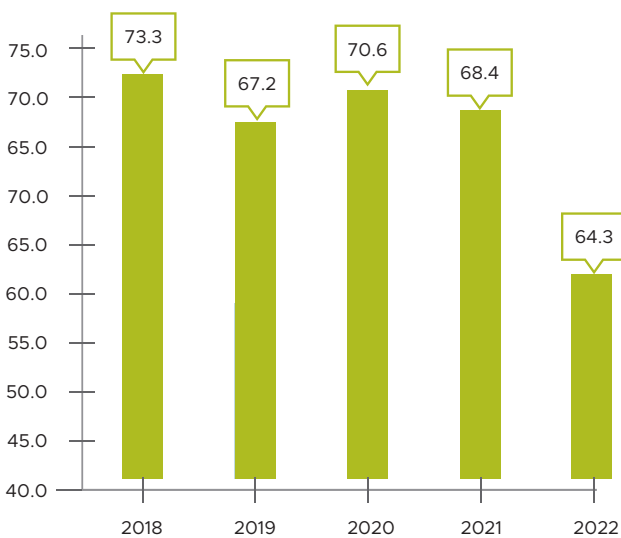
The collection rate for the year was 99.7%, with a 5-year average of 100.3%.

Prepaid revenues contribute 34% of the collections.

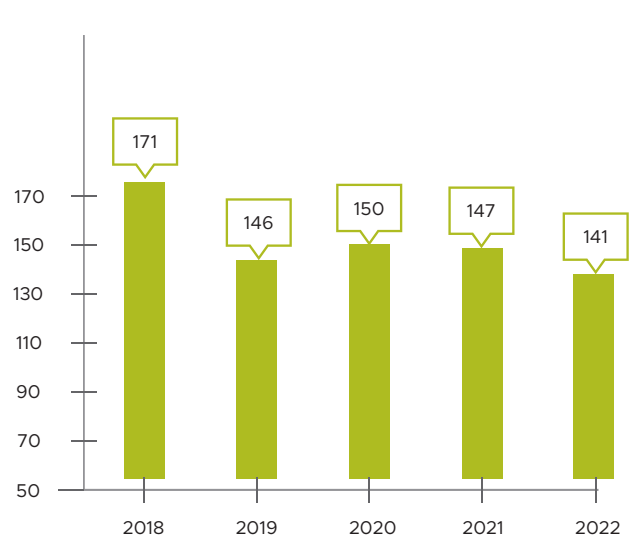
The collection rate has been positively impacted by the rollout of Yaka, and an improved payment culture by the industrial, commercial and government agencies.



Opex per kWh sold (Ushs—6% reduction)



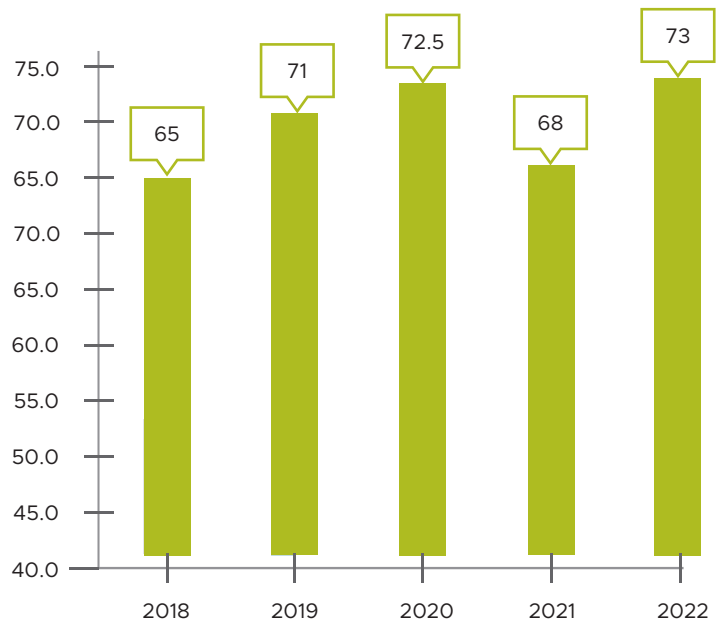
Opex per kWh sold (Ushs—4% reduction)



We continue to optimise our cost structure for efficient operations. We achieved a 6% and 4% reduction in costs per kWh of electricity sold, and per customer respectively. The overall operating costs increased by 3%, despite the inflationary pressure on major operating inputs, with Uganda’s inflation at 10.7% by December 2022.

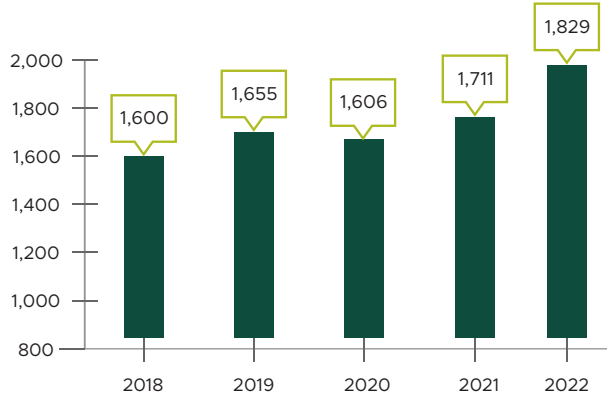
Customer Satisfaction Index (CSI)

The Customer Satisfaction Index increased to 73% during the year compared to 68% attained in 2021. This is attributed to the service improvement initiatives implemented in the year.

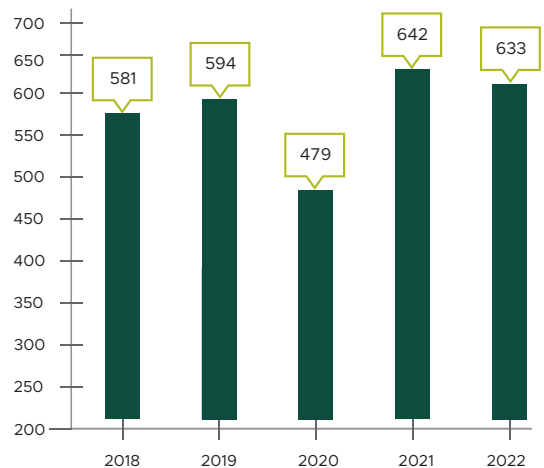


Financial Performance Highlights

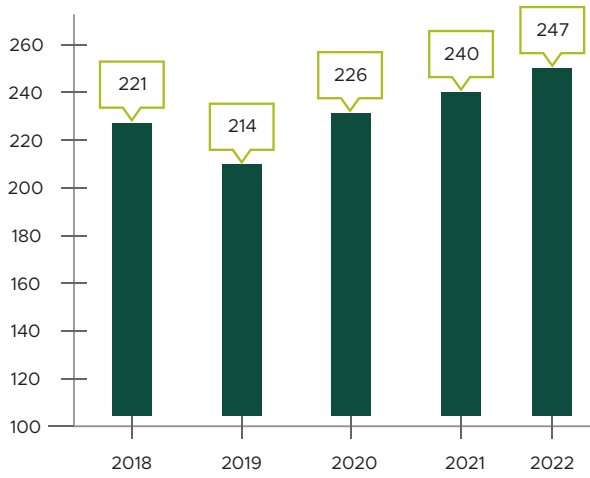
Electricity Revenues (Ushs Billion)



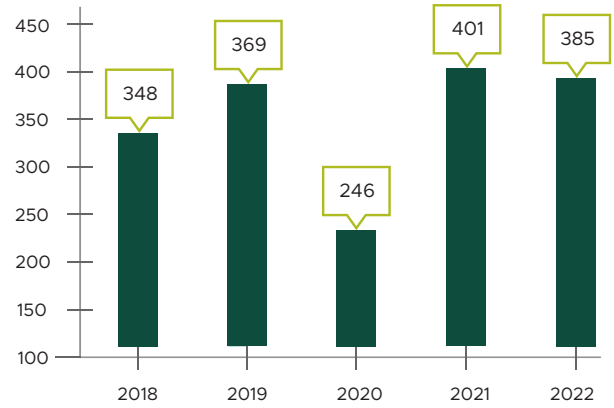
Gross Profit (Ushs Billion)



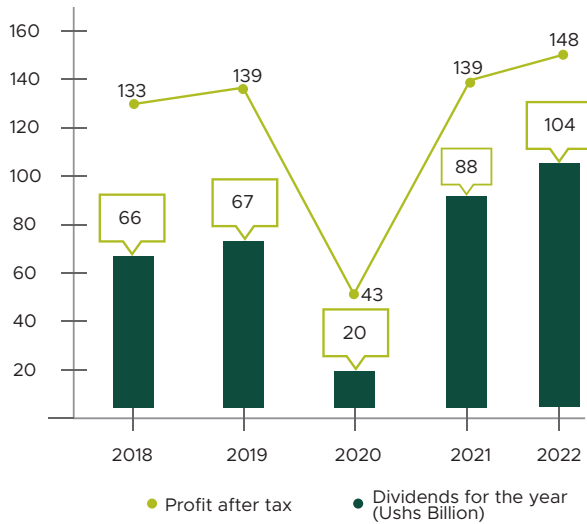
Operating Costs (Ushs Billion)



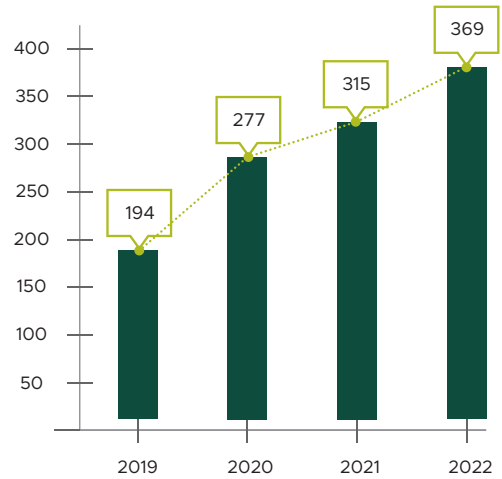
EBITDA (Ushs Billion)



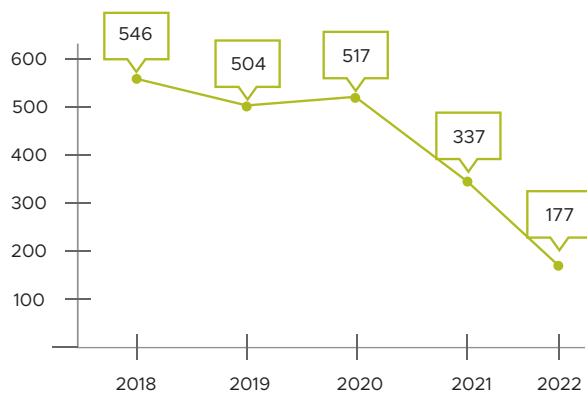
Profit After Tax (Ushs Billion)



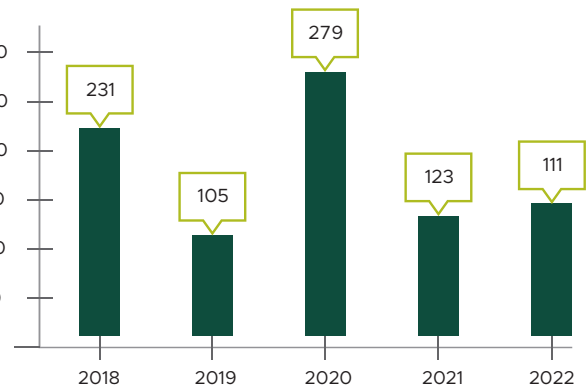
Operating Cashflows (Ushs Billion)



Term Debt Outstanding (Ushs Billion)



Capital Investments (Ushs Billion)



Management review and analysis

Building on the 2021 foundation of continued recovery from the Covid-19 pandemic and reduction in capital expenditure on account of the remaining Concession tenure, the business focused on, customer service, driving growth and efficiencies to enhance creation of shareholder value.

We re-organised our technical function operating capabilities, with insourcing of work on the network which was previously contracted out to take advantage of investments in technology and optimised supply chain thus reduce operating costs. In addition, reduction of power losses remained our priority given the positive impact on revenues, margin and profitability.

REVENUE

Revenue marginally increased to Ushs 1,887 billion in 2022 from Ushs 1,885 billion in 2021. The underlying drivers of the growth include increase in electricity demand, energy losses reduction, new connections, electricity tariffs, and revenues from electricity distribution construction services. While revenue from electricity sales increased by 7% on account of volume growth of 9.7% and average tariff reduction of 2.6%.

COST OF SALES

Cost of sales increased by 0.9% to Ushs 1,254 billion from Ushs 1,243 billion in 2021, on account of the increase in the generation levy from 0.3% to 0.7% in the second half of the year.

GROSS PROFIT

Gross profit reduced by 1.5% to Ushs 632.7 billion from Ushs 642.2 billion in 2021. The reduction in capital expenditure and improved performance on energy losses contributed to the gross profit results in 2022.

OPERATING COSTS

Because of the inflationary pressures both for Uganda and the global supplies, operating costs increased by 3% to Ushs 247 billion compared to Ushs 239 billion in 2021. The general restructuring, reconfiguration of our operating areas into zones and insourcing of network operation activities, anchored on our technology platforms improved the operating efficiencies.

EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION (EBITDA)

The EBITDA for year reduced to Ushs 384 billion compared to Ushs 401 billion in 2021 driven by performance on gross margin and operating costs as noted above.

FINANCING COSTS

Finance costs increased from Ushs 39 billion in 2021 to Ushs 45 billion in 2022, primarily due to increases in interest rates and other financing costs.

INCOME TAXES

Income tax charge for the year amounted to Ushs 66.7 billion, reflecting an effective average tax rate of 31.02%, compared to Ushs 54.8 billion in 2021 with an effective

tax rate of 28.3%.

PROFIT AFTER TAX

Profit after Tax increased to Ushs 148.2 billion from Ushs 139.1 billion in 2021. The Earnings per Share (EPS) was Ushs 91.3 compared to 85.7 in 2021.

BALANCE SHEET ANALYSIS

Total assets as at 31 December 2022 were Ushs 2,571 billion compared to Ushs 2,507 billion in 2021. The increase in assets is mainly on account of the additional investments in the electricity distribution system.

Shareholder Equity increased by 13.1%, from Ushs 893 billion in 2021 to Ushs 1,010 billion in 2022, due to the profit after tax for the year net of dividends paid during the year. Outstanding interest-bearing term debt reduced to Ushs 176.6 billion in 2022 from Ushs 336.6 billion in 2021 following Debt repayments of Ushs 179.9 billion (2021: Ushs 170.9 billion).

The Company remained compliant with all its loan covenants. The term facility is due to be fully repaid in December 2023

CASH FLOW ANALYSIS

The net operating cashflow for the year was Ushs 369.3 billion (2021: Ushs 315.0 billion), on account of increased profitability, cash collections and optimisation of working capital. The operating cashflows were used to finance the capital investment program and settle financing obligations due. Capital investments implemented in the year was Ushs 129.8 billion (2021: Ushs 122.5 billion).



Chairman's Report

For the remaining 2 years of our concession, our strategy is to prioritise service to our customers, improve distribution efficiencies, optimise investment in the network, improve staff productivity and improve the balance sheet through deleverage with term debts due to be fully settled by December 2023

Dear Shareholders

It gives me pleasure to present to you our 2022 Integrated Annual Report, where we report on our performance, provide an update on the business operations and emerging opportunities in the industry.

Umeme recognises the role it plays in not only ensuring a self-sustaining electricity sector but enabling a well-functioning economy through powering industries, commercial activities, services industry, and homesteads, among others. Efficient and reliable electricity supply is a critical enabler for our customers to achieve their varying objectives for social-economic transformation.

Referring to the first reform phase in the early 2000's that led to the opening of the sector to private sector participation, Uganda was looking for support of, and partnership with, the private sector in scaling the Generation capacity and driving distribution efficiencies for a commercially viable sector. Private sector partnership with Government has delivered notable achievements, including:

- Increasing Uganda's electricity installed generation capacity from 180MW to 1,404MW as of December 2022 and projected to exceed 2,000 MW once Karuma HPP is commissioned, with the private sector contributing about 700 MW of this capacity.
- Increasing electricity distribution efficiency from 50% as of

2005 to 84% as of December 2022, on account of reduction in power losses and improved bill collections. This in turn, has enabled a self-sustaining electricity sector with minimal Government subsidies, while enabling public and private investments.

- Private and Public sector cooperation has built local technical capacity to manage and operate the electricity system across all the segments of generation, transmission, and distribution. Umeme has been a leader in technical capacity development, currently employing over 2,301 full time staff.
- Innovations and use of technology in service delivery and driving efficiencies in operations. These achievements are partially attributed to the private sector investments, with Umeme leading in the distribution space. The sector has now become self-sustaining with minimal Government subsidies. The cash collected from customers finances the operations and investments in the entire electricity sector. During the year, the Electricity Act (2000) was amended, changing among others; the removal of the single buyer model, increasing penalties for power theft and vandalism of electricity infrastructure, enhancing the regulatory oversight, and removal of the rural electrification fees from the tariff. The Government also communicated its intention of not renewing the Generation and Distribution Concessions to Eskom Uganda Limited and

Umeme Limited when they come to their natural termination. The Government intends to rollout the second generation of reforms that include consolidating the varying electricity segments into one National Utility, with minimal private sector participation.

The Company acknowledges these new sector developments and would like to note the support we have received from the Government during the last 18 years of operations, without which it would have been difficult to achieve the goals enshrined in the Concession agreement framework.

We are committed to ensuring a smooth transition process for the distribution assets and meeting our obligations to the varying stakeholders. Our outputs and balanced results, over the period, demonstrate the power of purposeful private and public sector collaboration in improving service delivery.

For the remaining 2 years of our concession, our strategy is to prioritise service to our customers, improve distribution efficiencies, optimise investment in the network, improve staff productivity and improve the balance sheet through deleverage with the term debts due to be fully settled by December 2023. Managing the transition process smoothly until the full distribution assets transfer to Government on settlement of the Buyout amount shall remain a top priority for the business.

The Government is due to set up a Joint Steering Committee to oversee the transition process.

The year 2022 marked the first full operating period after the Covid-19 driven lockdowns of 2020 and 2021. Some sectors like tourism, education, transport and trade which were negatively impacted by restrictions on people movement have rebounded and are in full operation.

The full opening of the economy has brought an increase in economic activities and a surge in demand for goods and services. We registered a 10% increase in electricity sales in 2022 compared to 2021.

The geo-political challenges between Russia and Ukraine exacerbated scarcity of supplies especially oil and gas. The global increase in prices fed into Uganda's inflation that peaked at 10.7% in December 2022. Supply chains were constrained and costs of goods/services increased, with Central Banks responding through monetary policies by increasing interest rates. The inflationary pressure influenced our business performance, electricity tariffs (increased by 9%) and our customers.

For the year ended 31 December 2022, our revenues marginally increased to Ushs 1,887 billion in 2022 from Ushs 1,885 billion in 2021, on account of an increase in electricity sales, average reduction in tariffs by 2.6% and distribution construction services.

The Company recorded a Profit after Tax of Ushs 148.2 billion reflecting a 6.5% increase to the 2021 results. Also, the net cashflows from operating activities increased to Ushs 369 billion, which were utilised to finance investment and enable the company to meet its other financing obligations to lenders and shareholders.

Subject to the approval of the shareholders, the Board recommends a final dividend of Ushs 63.9 per share (2021: Ushs 54.1) payable on 20 July 2023, subject to the approval by the shareholders at the Annual General Meeting scheduled for the 18th May 2023. The Book closure date for this dividend will be 30 June 2023.

Conclusion

As Uganda's electricity supply industry transitions into the second phase of power reforms, we

remain resilient, act with diligence and are committed to collaborate with Government to ensure a smooth transition process. Respect for contractual obligations is the cornerstone of respectable Concession closeout outcomes for the Government and shareholders of Umeme Limited.

We are proud of our contribution to improve efficiency, connectivity, financial and commercial viability of the sector, to expand and refurbish the distribution infrastructure, and deliver operational and technical capacity enhancement for the benefit of the whole Country.

On behalf of the Board of Directors, I extend our gratitude to the Government, shareholders, capital providers, regulators, business partners, staff, and other stakeholders in ensuring and enabling Umeme to deliver on its mandate while creating shared value across the value chain.



Patrick Bitature
Chairman, Board of Directors



Managing Director's Report

We recognise that many stakeholders have concerns about the risks due to the transition process over the next 24 months, however with commitment from both the Government and Umeme, we anticipate a smooth process for continued service delivery, operational efficiencies, and settlement of the Buyout amount per contract.

I am pleased, once again to present our business operating and financial results for the year ended 31 December 2022.

These results were achieved with heightened changes in the macro-economic environment, changes in the regulatory environment, changing customer expectations, increased incidents of vandalism of network infrastructure and concerns around Concession transition risks and impacts to stakeholders.

Notwithstanding the remaining period of the Concession, Umeme remains true to its mission of creating sustainable value to its stakeholders through impactful investments. We continue to invest in building institutional and operating capabilities for service delivery and value creation.

Building Institutional Capacity

Building the organisation, human capital, aligning operating structures and processes and investing in technology enable the delivery of our operating, service and financial results.

During the year, we reorganised the network assets function into 54 operating areas under 12 zones and 3 regions to address the emerging safety, service, energy losses and network performance challenges. We also insourced, through recruitment of 800 technicians, most of the network operations and service-related work previously outsourced to

various contractors (firms). We registered improvements in performance after the re-organisation.

The staff head count increased to 2,301 fulltime employees, with 75% of these employed in the Network Assets Function that looks after the network. To further build staff capacity, we conducted technical, non-technical and management development programmes.

The training programs included system operating regulations, risk assessment, ICT Security, Customer Service, NEBOSH Certification, Accountancy qualifications (ACCA/CPA), CIPS for supply chain professionals, management development program and the Advanced Management Programme run by Strathmore Business School of Nairobi Kenya, in collaboration with IESE Business School in Barcelona and China Europe International Business School Accra Ghana.

Our staff turnover rate was 3.6%, with higher retention rates for critical skilled talent.

Umeme's reward system is performance driven with Short Term Incentive Plans (STIP) and Long-Term Incentive Plans (LTIP) providing value proposition for staff. The average training hours per staff was 17 in the year. The staff engagement score was 91%, an improvement from prior year's 85%

Investing in Technology

On the technology front, we completed the digitisation of the new customer application process, with the launch of the Digital Wireman App.

This has improved the customer onboarding experience, simplifying the application steps, eliminating paperwork, and providing visibility on the application processing.

The ICT systems integration strategy around SAP Hana/4 is ongoing, with the Geospatial Network Information System (GNIS) at data collection/validation stage. GNIS will enable an integrated digital mapping of the electricity distribution infrastructure and all customer connection points, for service, networking planning, development and maintenance.

The Yaka prepaid vending system remained stable during the year. Umeme has benefited from investments in technology for operational efficiency and improved service to our customers.

Safety, our Number 1 Priority

Safety is uppermost in our values and way of work.

We aim not to cause harm to our staff, contractors and the public resulting from our operations. We revamped the Safety Function in the business through the rollout of a new function structure and enhancing the capacity of the

safety team.

Our safety strategy included onboarding and retraining the technical staff, provision of Personal Protective Equipment (PPE), responsiveness to network emergencies and messaging through mass media platforms for public awareness.

With regret we note the 11 public fatalities occurred during the year arising out of interference with the distribution network and illegal lines used for power theft. We continue to urge the public not to interfere with electricity distribution infrastructure and continue active campaigns to increase public awareness of key safety matters.

Improving Customer Service is at the forefront of customer satisfaction.

From the 2022 customer survey the top 3 concerns raised by customers were: electricity tariffs, power outages and communication around outages. The service response times improved in the year because of the re-organisation process.

From the survey, our Customer Satisfaction Index improved from 68% in 2021 to 73% in 2022, with a positive Net Promoter Score of 21. Our service strategy is to further improve customer satisfaction through; investments in the distribution network, proactive maintenance regime, network optimisation, use of technology and adequate staff and resources to meet the needs of the expanding network and number of connections.

Growing Grid Connections

We increased the customer base by 7% to 1.75 million customers

through an addition of 121,000 new customers to the grid. We are pleased to note the increase in customer applications with self-funding, after the reduction by Government of the connection capital charges, with the option of a loan.

We are in consultation with Government for the rollout of the World Bank funded Scaleup Connections project due to be launched in the second half of 2023. The programme intends to add 1 million connections to the grid. The additional connections require re-enforcement investments in the capacity of the backbone distribution infrastructure.

Demand and Distribution Efficiency

Electricity demand increased by 10% to 3,849 GWh in 2022 compared to 3,507 GWh in 2021.

The growth was driven by the opening of the remaining sectors post Covid-19 restrictions, new connections, reduction in energy losses and general system stability. Reports from UETCL and ERA indicate an increase in installed generation capacity to 1,400 MW from 1346.6 MW of 2021. The maximum system peak demand in the year was 850 MW compared to 794 MW in 2021.

We registered a reduction in energy losses to 16.8% compared to 18.0% in 2021. We revised our loss reduction strategy to focus on the mass markets, illegal hooking, meter audits and public sensitisation.

Our revenue collections rate for the year was 99.7%, consistent with the performance over the last decade. The culture of reliable electricity bill payments enables the sector to be self-sustaining

with minimal subsidies from the Government Treasury and supports service delivery and investments in the distribution, transmission and generation.

Capital Allocation

Our capital allocation strategy has been informed by the remaining period of the Concession, obligations to lenders and distributions to shareholders. During the year, we invested Ushs 111 billion in the distribution network.

These projects address demand growth, system reliability, reduction in technical losses and optimisation interconnection with UETCL substation. We project further grid stability in 2023 on the commissioning and integration of the new transmission stations at Luzira and Entebbe.

Conclusion

We recognise that many stakeholders have concerns about the risks due to the transition process over the next 24 months, however with commitment from both the Government and Umeme, we anticipate a smooth process for continued service delivery, operational efficiencies, and settlement of the Buyout amount per contract.

I thank the Board, management, staff, and stakeholders for the support during the year. I re-affirm our commitment in the execution of our distribution mandate for the benefit of Government, electricity consumers, staff, and our stakeholders.



Selestino Babungi
Managing Director

02

CORPORATE GOVERNANCE

The Board of Directors



PATRICK BITATURE
Chairman



SELESTINO BABUNGI
Managing Director



HON. GERALD SSENDAULA
Non-Executive Director



FLORENCE NAMATTA MAWEJJE
Non-Executive Director



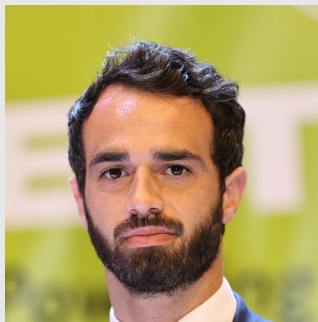
ANTHONY MARSH
Non-Executive Director



ANDREW BUGLASS
Non-Executive Director



STEPHEN EMASU
Non-Executive Director



RICCARDO RIDOLFI
Non-Executive Director



JOHAN DE BRUIJN, CFA 
Non-Executive Director



**FLORENCE NAKIMBUGWE
NSUBUGA**
Executive Director

1. PATRICK BITATURE Chairman

Member of the Institute of Chartered Secretaries and Administrators, UK and Fellow of the Institute of Chartered Secretaries, FCIS

Patrick has been on the Board since 2007.

He is the Board Chairman of Umeme Limited and the Chairperson of the Nominations Committee. He is also a member of the Strategic Review Committee.

Patrick's leadership of the Board spans from his experience as the founder, Chairman, and CEO of Simba Group of Companies, a conglomerate spanning telecom, real estate, power generation, agro-business, mining, hospitality tourism, hotels, and media interests.

He is also a founding member of the Presidential Investors' Round Table (PIRT) and is the Honorary Consul, Australian Consulate in Uganda.

He was appointed to the Boards of Mulago National Referral hospital and Bollore Logistics Uganda.

2. SELESTINO BABUNGI Managing Director

Fellow of the Association of Certified Chartered Accountants (UK) (FCCA); Certified Public Accountant - Uganda (CPA) and Graduate of Statistics from Makerere University.

Selestino is the Managing Director and member of the Board since March 2015. He is a member of the Environmental Safety and Governance, Customer Service and Loss Reduction and Strategic Review Committees of the Board.

As the Managing Director, Selestino is responsible for ensuring Company performance

through strategy design and execution, leading the management team, organisation alignment through people, processes, and systems, ensuring a well-functioning Board and governance framework and enhanced stakeholder relationships for shared value.

Umeme has transformed into a high performing electricity distribution utility, from an operational and financial perspective, through adoption of innovative digital solutions, strengthening staff and management capacity, stakeholder engagement and investment in distribution infrastructure.

Selestino has over 17 years combined experience in electricity distribution and supply business operations including retail operations, finance, strategy, investments, and organisation leadership. He previously served as Umeme's Chief Financial Officer (CFO) for 4 years to 2015 and in operation management roles from 2006. He played a critical role in the 2012 Umeme IPO, that was over subscribed and the 2013 raising of USD 190 million financing facilities for the 5-year USD 440m capital investment program.

Prior to joining Umeme, Selestino was Manager at EY, where he led teams in audit and transaction advisory services for clients from international organisations, private and public sectors.

He is currently a Director of the Association of Electricity Generators and Distributors Association.

He has completed several management development programmes including;

- The Advanced Management Programme - Strathmore Business School in collaboration with IESE Business School Barcelona and Lagos Business School.

- The Effective Director – Strathmore Business School
- CAP under the CEO Summit Uganda.

3. HON. GERALD SSENDAULA Non-Executive Director

Bachelor of Commerce Degree from the Nairobi University, Kenya.

Hon. Ssendaula has been on the Umeme Board since 2013.

He is the Chairperson of the Customer Service and Loss Reduction Committee. He is also a member of the Audit Committee and Nominations Committee.

Hon. Ssendaula is experienced in establishing private and public relationships and this is exhibited in his previous leadership over the years as Chairman of the Boards of Private Sector Foundation Uganda and Uganda Revenue Authority.

He is the Chairman of the Board of Liberty Life Assurance and National Union of Coffee Agribusiness and Farm Enterprises (NUCAFE).

He continues to be a Senior Presidential Advisor on finance affairs.

4. FLORENCE NAMATTA MAWEJJE Non-Executive Director

Master of Science Degree in Human Resource Development (Manchester University, UK), Executive MBA-Strategic Management, (ESAMI/ Maastricht, The Netherlands).

Experience in; Human Resource Management, Strategic Management, Corporate Governance, Pension Fund Management.

Florence has been on the board since 2016.

She is a member of the Remunerations Committee, Environmental, Social and Governance and Strategic Review Committees.

Florence is a Human Resource professional with over 25 years of corporate executive experience, over 16 years of managing investment fund schemes as well as 6 years serving as a Non-Executive Director (NED) on several Boards. Her wealth of experience spans across multinational organizations in the Banking, Telecommunications, Fast Moving Consumer Goods (FMCGs), Energy, Manufacturing and Non - Government Organizations (NGOs) sectors in Uganda, Kenya, Tanzania, Mozambique, Zimbabwe, Malawi, and Zambia.

She is an executive coach and mentor to young people, especially young women.

She worked with Centenary Bank as the General Manager Human Resource till December 31, 2021 and served as a Board of Trustee in NSSF till August 31, 2021. She currently serves as a NED at Uganda Clays Ltd and Umeme Ltd, that are listed on USE and NSE. In September 2021 she was appointed as an Independent Supervisory Board member to the SolarNow NV, Board.

As an entrepreneur and investor in the education sector, she is a shareholder and NED at Silver Spoon Limited, where she once served as a Board Chairperson (2013 – 2015).

She is a graduate of Makerere University, Kampala an Alumni of the Female Future Leadership Program (FUE/ Confederation of Norwegian Business and Industry (NHO); the CEO Apprenticeship Program (CAP 2016) with IFE / Strathmore Business School (SBS); the Women Directors' Leadership Summit (2018) - SBS and member of the League for East African Directors (2019) and member of The Boardroom Africa (2020).

5. ANTHONY MARSH Non-Executive Director

Bsc, Banking and Finance,
Loughborough University

Anthony has been on the board since 2017.

He chairs the Strategic Review Committee and is a member of the Audit committee and Customer Service and Loss Reduction Committee.

Anthony has nearly 40 years' experience investing debt and equity in infrastructure, including power generation, transmission and distribution throughout Africa, Asia and Europe.

He is currently on several infrastructure investment committees in Europe and Africa, and non-executive director of a charity seeking to expand the productive use of energy in the poorest parts of Africa.

Previously the UK government asked Anthony to set up the UK Green Investment Bank, of which he was Chair of the Investment Committee.

6. ANDREW BUGLASS Non-Executive Director

MA in Modern Languages,
University of Oxford; Diploma of the Chartered Institute of Bankers; and Approved Person, Financial Conduct Authority.

Andrew was elected a Non-Executive Director on the 20th June, 2017.

He chairs the People and Change Committee and is a member of the Strategic Review and Audit Committees.

He has over 30 years' experience of banking and finance, and has focused exclusively on the energy sector since 1992. Andrew founded and runs Buglass Energy Advisory, a UK based consultancy supporting energy sector investors and developers with strategic and commercial advice. Prior to that, he led the energy & infrastructure finance team at Royal Bank of Scotland in London. Earlier roles

included heading the Utility Finance practice at ING Bank in Amsterdam, and leadership roles within international energy developers PowerGen plc and Unocal Corporation.

He has been a regular expert contributor to UK Government and industry groups on policy and investment issues, and served for 3 years as Co-Chair of the Low Carbon Finance Group.

Andrew is passionate about the long-term impacts of power generation and is an active advocate for innovative, low carbon technologies and to putting sustainability at the heart of the energy transition.

He also acts as Chairman or Non Executive Director for several electricity sector companies in the UK.

7. STEPHEN EMASU Non-Executive Director

Chartered Accountant and Chartered Global Management Accountant (FCCA; CPFA, ACMA, CGMA and CPA), with a post graduate degree, London School of Economics and Political Science (LSE) and another from the University of Stirling (both from the UK). He is one the few Chevening scholars in Uganda having benefited from the UK Chevening Scholarship Program in 1988/89.

Stephen has been on the board since 2018.

He is currently the chairman of the Board Audit Committee. Stephen has worked in various areas in accounting, financial management, audit for over 35 years since graduating from Makerere University.

He has over 10 years of audit experience having worked with PricewaterhouseCoopers as a Senior Audit Manager as well as a Technical Manager in the firm. This includes technical assistance to Supreme Audit Institutions, and has provided technical assistance to some Offices of the Auditors General in Africa through the World Bank, FCDO and EUD.

For the past 20 years, Stephen has worked with and or provided technical assistance to various ministries responsible for finance in 11 African countries, and other countries outside Africa either through the IMF, the World Bank, UNDP, FCDO of the British government and the EUD. Some of the African countries include: Uganda, Ethiopia, Kenya, Tanzania, Rwanda, Malawi, Liberia, Sierra Leone, The Gambia, South Sudan, Swaziland and Afghanistan. He has been in the IMF roster of Experts in Public Financial Management (PFM) since 2012, and has participated in 23 IMF missions in many African countries in East Africa, Southern Africa, and West Africa on PFM matters. He served for four years as the Chair of the ACCA Global Forum of the Public Sector since 2014 to the end of 2018. He also played an active role, with other ACCA Ugandan members, in the re-establishment of the ACCA Uganda branch office in 1990s.

Stephen was one of the founder members of the Ugandan CPA, and was a Board member of the Public Accountants Examination Board (PAEB) of the Institute of Certified Public Accountants of Uganda (ICPAU) for 9 years. He played a leading role in the development of the ICPAU during the formative years of the Institute.

Stephen has been an active international PFM consultant, and has supported many African countries on PFM reforms, Security Sector Reforms, and Anti-corruption initiatives.

**8. RICCARDO RIDOLFI
Non-Executive Director**

Master of Laws (University College London), Bachelor of Laws (Australian National University), Bachelor of Economics (Australian National University)

He was appointed to the board in 2018.

Riccardo is a qualified lawyer, admitted to practice in England and Wales, Italy and Australia, with a background in capital markets and infrastructure, particularly structured finance, concessions,

PPPs and foreign investment protection.

Riccardo is an energy access pioneer committed to ending energy poverty. He is the founder and CEO of Equatorial Power, a renewable energy company, focusing on access to productive energy through an integrated approach, beyond electrons to agro-processing and e-mobility. Separately, Riccardo Chairs the Board EnerGrow, in which he owns a majority stake – a productive asset financing company designed to unlock the socio-economic benefit of access to power.

Riccardo also sits on the Board of Axian Energy, a fast growing African conglomerate pioneering energy transition on the continent. Previously, Riccardo led the energy access division of a renewable energy company he co-founded.

**9. JOHAN DE BRUIJN, CFA®
Non-Executive Director**

Bachelor of Economics Honours, CFA® charterholder.

Johan has been on the board since 2020.

He is a member of the Remuneration committee; and Chairman of the Environmental, Social and Governance committee.

Johan is the co-founder of 337 Frontier Capital. Prior to founding 337 Frontier Capital, Johan worked for The Rock Creek Group and helped established the Kimberlite Frontier Africa Strategy.

Johan was also the Portfolio Manager for the Africa Emerging Markets Fund at Ashmore Equities Investment Management (US) LLC.

Previously he held Fund Manager and Analyst positions with Sanlam Investment Management in South Africa, where he focused on companies headquartered in South Africa.

From 2004 to 2008, he was instrumental in building up Sanlam’s pan-Africa investment platform. Johan also worked as an Analyst for Coronation Fund Managers in South Africa, focusing

on small-cap, mining and non-mining resource companies

**10. FLORENCE NAKIMBUGWE NSUBUGA
Executive Director**

Master of Arts in Economic Policy and Planning and Bachelors of Commerce.

Florence was appointed to the Board in 2015. She is a member of the Environment Social & Governance Committee of the Board and the Customer Service and Loss Reduction committee.

She has over 20 years’ experience in the electricity supply industry where she has led innovative solutions to drive efficiencies.

She was appointed to the role of Chief Operations Officer in 2012 and currently oversees the retail and commercial performance of Umeme.

She is a fitness enthusiast and is very passionate about community service and elevating leaders. She volunteers as a country leader and mentor under the Project Girls for Girls, a global initiative aimed at empowering young girls to lead.

Florence previously served on advisory boards including TASO, an NGO offering counselling and medical services to people infected and affected by HIV and AIDs. She also served as an Advisory Board member of the Electricity Growth and Use in Developing Economies (e-GUIDE), an initiative that seeks to transform the approaches used for planning and operations of electricity infrastructure in developing regions.

Florence also serves on the boards of Brac Bank Uganda Ltd and Jubilee Life Insurance Uganda Ltd as a Non-Executive Director.

Management Team



SELESTINO BABUNGI
Managing Director



ANDREW OYIE
Chief Financial Officer



SIMBISO CHIMBIMA
Chief Technical Officer



BLESSING NSHAHO
Chief Corporate and
Regulatory Officer



**FLORENCE NAKIMBUGWE
NSUBUGA**
Chief Operations Officer



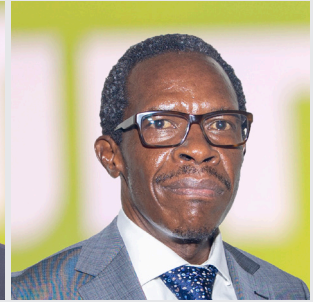
AGNES N SEKYANZI
Head of Customer Experience



NELSON BAGENDA
Chief Information Officer



FRED MWITA
Head of Human Resources



PATRICE NAMISANO
Head of Supply Chain



PETER KAJJU
Head of Communications



ISAAC SSERWANDA
Head of Capital Projects



RUTH DOREEN MUTEBE
Head of Internal Audit

1. SELESTINO BABUNGI
Managing Director

(See profile on page 23)

2. FLORENCE NAKIMBUGWE
NSUBUGA
Chief Operations Officer

(See profile on page 25)

3. SIMBISO CHIMBIMA
Chief Technical Officer

Simbiso is an electrical engineer and an MBA holder. Simbiso brings to Umeme 20 years' experience in the electricity supply industry across Southern Africa including overseeing the prepayment metering installation project in Zimbabwe as General Manager of Zimbabwe Electricity Distribution Company.

4. ANDREW OYIE
Chief Financial Officer

Andrew is a qualified accountant and finance professional with over 13 years' experience in finance, accounting and audit that permeates various sectors of the economy including; energy and utilities, banking & financial services, public sector, oil and gas, telecommunications, real estate, manufacturing, construction among others.

Andrew was appointed Chief Finance Officer effective October 2021. Prior to this Andrew worked as Financial Controller and also acting Chief Finance Officer from 1 December 2018. He has also previously served as a Finance Manager at Umeme since 2016.

Prior to joining Umeme, Andrew worked with Ernst & Young during which he provided audit and advisory services to key clients in Uganda, Kenya, South Africa, South Sudan, Ireland, and United Arab Emirates.

He holds a Bsc. in Computer Science & Economics from Makerere University and is a Certified Accountant. He has received CFO leadership training from Abacus Business School. Andrew also graduated from Strathmore University Business School (SBS) CEO Apprenticeship Programme (CAP) in 2021.

5. BLESSING NSHAHO
Chief Corporate and Regulatory Officer

Fellow of the Association of Chartered Certified Accountants UK, a member of the Institute of Asset Management UK (IAM) and holds a Bachelor of Science in Statistics and Psychology (MUK).

Blessing has been with Umeme since 2018. Blessing's career spans over 20 years, having served in different positions at Ernst & Young (EY), in addition to numerous assignments as the CEO of Asset Business Solutions.

At EY, he served as the Executive Director responsible for Advisory Services and Business Development in Uganda. In addition, he was the Associate Director Global Markets Technology Enablement, EY Global, in London for 3 years.

Blessing previously served Umeme as a consultant in a number of transformation projects.

6. NELSON BAGENDA
Chief Information Officer

BA(Hons) Makerere University, MSc Computing, Birmingham university, OCA/P (Oracle University).

Nelson joined Umeme in July 2010.

He worked for British Telecom (BT Wholesale) and Virgin Media before joining Umeme.

In Umeme, he has worked in IT service delivery, and has led several IT transformational projects.

He is a results-driven, Transformational IT professional with a proven record of success in global operations who has successfully worked across multiple industries including Utility services, Software engineering, Telecommunications and Broadband.

7. ISAAC SSERWADDA
Head of Capital Projects

Bsc. Electrical Engineering, MUK (2003), Certified Asset Manager (Institute of Asset Management, UK) 2018, Certified PRINCE2 Project Management Practitioner (APMG, UK) 2008.

Isaac has been with Umeme since August 2016. He is a registered Engineer with the Engineers' Registration Board (ERB), a Board member of the CEO Apprenticeship Program Alumni Association of Uganda (CAAPA) and is a member of several associations including Uganda Institute of Professional Engineers (UIPE).

He is involved in the Rotary Club of Kampala North.

8. FRED MWITA MACHAGE
Head of Human Resources

PhD Human Resources

Fred joined as the Head of Human Resources in September 2018. He is a Certified DDI and PMI (Development Dimensions Inc. and Project Management Inc). He has worked in various industries such as FMCG, Mining, Healthcare, Banking, ICT, and Telecommunications with over 20 years of hands on experience in large multinationals.

9. PATRICE WABWIRE NAMISANO
Head of Supply Chain

MSc Logistics and Transportation, BA(Hons) Political Science and Economics, PGD Purchasing and Supplies, MCIP, CILT.

Patrice joined Umeme in 2017 and spearheaded the transformation of the Supply Chain function. He has over 20 years working experience in Manufacturing, Distribution and Telecon. Previously Supply Chain Director Operations, Airtel Africa. Area Logistics Manager Sub Saharan Africa British American Tobacco. His interests are in transforming Supply Chains into integration, automation and Digitization.

**10. AGNES NALWANGA
SEKYANZI**
Head of Customer Experience

Bachelor of Commerce, Master of Economic Policy Management, Master of Business Administration.

Agnes has been in Umeme since March 2005 and has served in several management roles in the Company.

She is passionate about customer happiness.

11. PETER KAUJJU
Head of Communications

A Communications and Public Relations expert with 16 years of experience in public affairs devising communications strategies for effective and proactive engagements.

Holds a bachelor's degree in Mass Communication, Makerere University, MBA from ESAMI Business School.

Peter joined Umeme in 2020.

Before joining Umeme, Peter was the Head of Public and Corporate Affairs at Kampala Capital City Authority (KCCA) for 9 years and was part of the pioneer team that positioned Kampala Capital City Authority as an outstanding brand in City Administration. He

previously worked at the Uganda's tax body Uganda Revenue Authority and the New Vision.

He is a member of the Public Relations Association of Uganda and an Alumnus of Ecole National College (ENA) Paris, France with a qualification in Communication and Diplomacy.

He holds a Certificate in Public Relations Strategies from the British Council, Media Management from Reuters Foundation and several other certificates in Communication, Public Relations and Management.

**12. RUTH DOREEN MUTEBE -
NSEKO**
Head of Internal Audit

Certified Public Accountant (CPA), Bachelor's Degree in Business Administration (Accounting), Graduate of Advanced Leadership training organized by Women's World Banking (New York), The Wharton School of Executive Education (USA), and Creative Metier (England).

Ruth Doreen has 18 years' vast experience in senior leadership in power utility, commercial and microfinance banking, internal auditing, external auditing, financial management, training, general business administration and board governance. She currently serves

as the Treasurer at the African Federation of Institutes of Internal Auditors, and Board Secretary at the Institute of Internal Auditors Uganda.

She is a scholar of Information Technology/Security and Internal Audit, a trainer certified by the Institute of Internal Auditors – Florida, USA, and is also ISO 31000 (Risk Management) & ISO 22301 (Business Continuity Management) Certified.

She is a reknown speaker on aspects of internal auditing, corporate governance, risk management, quality assurance, financial management among others at workshops and conferences in Africa and beyond. Ruth Doreen loves people and considers Audit as a Strategic Alliance/ Partnership towards achievement of Corporate Strategy.

CORPORATE GOVERNANCE STATEMENT

Umeme is committed to high standards of corporate governance, which it considers critical to business integrity and to maintaining its shareholders and stakeholders' trust in the Company.

It is listed on the Uganda Securities Exchange, cross listed on the Nairobi Securities Exchange (NSE) and regulated by the Electricity Regulatory Authority (ERA). The Company's governance structure and practices comply with the Companies Act (2012), the terms of its license and concession, respective Country listing and governance rules plus the Ugandan and Kenyan Capital Markets Authority requirements. In an endeavour to apply high standards as expected by Shareholders, the Company is continuously monitoring, adopting, and applying best practices of corporate governance.

The Company's Board of Directors (the "Board") endorses good corporate governance which focuses on transparency, independence and accountability. This is the basis of trust between the company and its stakeholders.

The Board remains aware of its responsibility for long term value creation for shareholders and varying stakeholders including regulators, the government,

customers, suppliers, funding partners, development financing partners, staff among others.

The Corporate Governance Framework at Umeme is built around the governance expectations stated by law, regulations or contracts underpinning the company operations. It aims to ensure the Board exercises its duties around governance, strategy, management oversight, performance, integrity and compliance, risk management, people, shareholder interests and general stakeholder engagements.

The Board is currently composed of 10 directors who are adequately skilled independent with a broad spectrum of diversity.

The Board Charter allows for the board to create board committees and delegate its authority to them in order to assist the board in executing its responsibilities. The Board has 6 Committees, thus; the Board Audit Committee, the Customer Service and Loss Reduction Committee, the Nominations Committee, the Strategic Review Committee, the People and Change Committee, and the Environmental, Social and Governance Committee.

The Governance Structure

The Board of Directors (the "Board") provides oversight of all the Company's affairs, risk management and corporate governance. The Company has a unitary board structure.

The Board's composition is determined in accordance with the following governance principles, the board charter and best corporate governance practices:

1. The roles of Chairman and Managing Director are separate and distinct.
2. The Chairman of the Board is an independent non-executive director.
3. The board comprises of no less than six (6) Directors and maintains a majority of independent directors.
4. The board comprises of an appropriate range and mix of skills, knowledge, experience and diversity.
5. The Audit Committee is chaired by an independent non- executive Director.

The directors comprehend their responsibility to act in the best interests of the Company and appropriately execute their duties independently.

The directors engage and guide management in the execution of its duties.

Composition and Size

The Board currently consists of 8 non-executive directors that includes the Chairman of the Board and 2 executive Directors. The Board consists of a diverse range of directors both resident and non-resident. The current composition represents a blend of skills, knowledge, experience and diversity which are fundamental to the successful operation of the organisation.

The Board provides insights from the fields of Human Resources, Finance, Accounting, Legal and Business Administration. The directors' profiles and competencies can be seen on page 23.

Role of the Board

The Company's Board Charter defines the governance parameters within which the Board exists and operates. It states specific responsibilities to be discharged by the Board and its committees, as well as certain roles and responsibilities held by the Directors as individuals.

The Board Charter is complementary to the existing laws and regulations governing the Company.

The Board's tasks include, but are not limited to;

1. Reporting to the shareholders;
2. Ensuring regulatory compliance;
3. Ensuring adequate risk management processes exist and are complied with;
4. Approval of key policies including investment, risk and strategy;
5. Reviewing internal controls and internal and external audit reports;
6. Reviewing financial statements;
7. Ensuring good corporate governance practices and monitoring and influencing the ethical standards of the Company;
8. Monitoring and implementing the Board composition strategy and director selection, processing and performance as well as succession planning;
9. Approving key executive appointments and ensuring executive succession planning;
10. Reviewing the performance of the Managing Director and Senior management;
11. Reviewing and approving senior management remuneration;
12. Validating and approving corporate strategy;
13. Reviewing the assumptions and rationale underlying the Annual Operating Plans and approving such plans;
14. Consideration and approval of the Annual Financial Statements and Dividends;
15. And such other matters as are incidental to the above and relevant to fostering business growth and success.

Strategy

The Board is responsible for the Company's strategic direction and reviews the Company's plans and discusses and updates them in collaboration with management. The strategic direction taken by the board accounts for any risks and opportunities in the industry, the business operating environment and is aligned with the Company's vision, values and performance goals.

On an annual basis, the Board approves the annual operating plan containing financial and non-financial operational targets. The Board provides oversight in the implementation of the plans through monthly and quarterly operational reports.

Delegation of Authority

The Board maintains a clear delegation of authority framework to ensure that the operations of the Company run smoothly but within an acceptable control framework.

To ensure efficiency within the governance structure, the Board has delegated some of its functions to Committees with clear terms of reference and reporting requirements.

Each Committee's terms of reference set out its responsibilities, scope of authority, composition and procedures to be followed.

At each committee, management is present to give updates on key company matters which are discussed and updates provided to the board as a whole.

The committee terms of reference are reviewed by the committee to ensure that they are still relevant to the business goals of the Company.

Managing Director

The Board sitting at the apex, ensures that effective management of the company is done through a competent management structure assigned to deliver the agreed strategy. The Managing Director is appointed by the Board to provide leadership and direction to the Company in its day-to-day business operations. Through a Management team, the Managing Director ensures the Company's strategy and Board decisions are implemented and ensures that the business and Company affairs are managed effectively. He also ensures that relevant stakeholder relations are nurtured.

The Managing Director then reports to the Board on a quarterly basis at scheduled Board meetings and where necessary depending on the urgency of matters at hand updates the Board through adhoc Board calls.

Director Appointments and Resignations

The change of directors is governed by the Companies Act, 2012 and the Company's Articles of Association. The Board Nominations Committee sets and reviews the criteria for the appointment of directors.

The Directors are appointed by shareholders at Annual General Meetings (AGM), but interim appointments by the Board to fill vacancies or otherwise are allowed in between AGMs. These appointments are then subject to rotation at the next AGM. Before considering and selecting directors, the Board through the Nomination Committee, reviews the composition of the Board and determines the areas in which the board lacks skills and experience in line with the Company's strategic goals, and selects individuals who complement those already on the Board.

One third of non-executive directors are required to retire at each AGM and may offer themselves for re-election. There is no limit to the number of times a non-executive director may stand for re-election. Executive Directors of the Company are, by their employment contracts, not subject to rotation.

A summary of the current directors' skills and experience are set out in the Directors biographies on page 23.

Induction and Development of Directors

Following the appointment of new board members, the company takes them through a comprehensive induction process that includes country wide field visits and engagements with senior management, sector players, regulators and customers for better appreciation of the business and its operating environment, strategy, risks and challenges. The induction process is coordinated by the Company Secretary and the Managing Director.

The Directors are informed of all applicable legislations and regulations, changes to rules, standards, and codes, as well as relevant energy sector developments which have a potential impact on the Company, its present and future operations. The Board is on a regular basis, updated on the public opinions and concerns around the company and electricity sector through local news updates, customer surveys and monthly operational reports and continuous training.

Board Evaluation

Evaluation of the Board and Committees is organised by the Company Secretary to improve its effectiveness in performing its duties. A board evaluation was conducted at year end and the results were shared with the Board and committee Chairpersons to steer the Board to effective leadership and decision making.

The Managing Director's performance is evaluated annually against set targets by the Board at the beginning of each year. This is conducted by the Board Chairman with support from the Non-Executive Directors.

Engagements between the Board and Management

The Senior Management Team and the Board interact regularly both at Board and Committee meetings and whenever called upon. Directors engage with Senior Managers directly on matters of interest or concern while maintaining a clear distinction between governance and operational matters.

Access to Information

The Company ensures that its directors are adequately informed and updated on financial, business and corporate matters to equip them to make informed decisions for the company. Information is provided during Board meetings and through monthly updates on operational performance from the Senior Management. This keeps the Board informed of business operations and any unique events and enables them to provide their oversight role efficiently. Management also routinely updates the Board with information via an electronic platform.

When required, independent expert advice may be sought by the Board for better decision making at the company's expense.

Independence

The Board is aware that though various principles and factors are considered in determining the independence of its directors, criteria for independence is also determined by having regard to applicable circumstances.

The independence of the Directors is reviewed in accordance with the criteria set out in the Capital Markets Corporate Governance Guidelines, 2003 namely, a director who:

1. Has not been employed by the company in an executive capacity within the last five years;
2. Is not affiliated to an adviser or consultant of the company or a member of the company's senior management or a significant customer or supplier of the company or with a not-for-profit entity that receives significant contributions from the company; or within the last five years, has not had any business relationship with the company (other than service as a director) for which the company has been required to make disclosure;
3. Has no personal service contract(s) with the company or a member of the company's senior management;
4. Is not employed by a public company at which an executive officer serves as a director;
5. Is not a member of the immediate family of any person described above;
6. Has not had any of the relationships described above with any affiliate of the company.

In accordance with the definition prescribed by the Capital Markets Corporate Governance guidelines, 2003 all the 8 non-executive Directors are independent.

Declaration of Interest

All directors are required to disclose their interests in any company matter, contract or engagement and if such a conflict exists, the relevant director is excused from consideration of the matter. The Company Secretary is required to regularly ensure that directors' contracts have no conflicts of interest. All potential conflicts during the reporting period were considered by the Board which satisfied itself that neither the independence of the directors nor their integrity was compromised.

Board Remuneration Policy

The Directors are remunerated at rates and expenses as approved by the shareholders at the Annual General Meetings. The rates are benchmarked to ensure adequacy to attract and retain the right Directors to discharge their responsibilities.

Board Training

Management and the Company Secretary in consultation with the Board ensure that the directors receive training in areas of interest and with a significant impact on the business of the Company. The Directors received training in amongst others, corporate governance best practices and the role of the Board vis a vis environmental, social and governance matters.

BOARD COMMITTEES

(a) Audit Committee

The Audit committee is responsible for the oversight and maintenance of the integrity of the financial controls and reporting. This builds into the Board's role of enhancing good corporate governance principles of accountability and transparency.

The Committee's responsibilities include:

1. The adequacy of the Company's accounting system and internal control environment;
2. The adequacy of the Company's system for compliance with relevant laws, regulations, standards and codes;
3. The identification of improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
4. The functioning of the internal audit function and ensuring that the internal auditor has an unobstructed and clear communication channel to the Committee and the Board;
5. The frequency and significance of all transactions with related parties and assessing their propriety;
6. The Company's risk management system;
7. The integrity and quality of the Company's financial information; and
8. The independence, objectivity, scope and quality of the external audit.

Composition: Stephen Emasu (Chairman), Andrew Buglass, Anthony Marsh and Hon. Gerald Ssendaula, Four (4) meetings were held in 2022.

The attendance of Audit Committee Meetings in the year 2022 was as follows:

DIRECTOR	22.03.2022	28.06.2022	16.08.2022	15.11.2022
Stephen Emasu	√	√	√	√
Hon. Gerald Ssendaula	√	√	√	√
Andrew Buglass	√	√	√	√
Anthony Marsh	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

(b) Environmental, Social and Governance (ESG) Committee

The ESG Committee advises the Board in relation to environment, social and governance matters arising out of the activities of the Company as they affect employees, contractors, stakeholders and communities. It ensures that the company executes its strategy in a sustainable manner with consideration to its surroundings and the people within and outside the company.

The Committee's responsibilities include:

1. Assessing and monitoring compliance with legislation and the regulatory requirements;
2. Assessing standards for minimizing risks from business operations;
3. Considering issues that may have strategic business and reputational implications for the Company and recommending appropriate measures and responses;
4. Reviewing significant safety and environmental incident investigation reports including fatality reports.
5. Assessing the effectiveness of the processes the Company uses to manage safety, health and environment risks

Composition: Johan De Bruijn (Chairperson), Florence Namatta Maweje, Riccardo Ridolfi, Florence Nsubuga and Selestino Babungi

Four (4) meetings were held in 2022.

The attendance of the Environmental, Social and Governance (ESG) Committee Meetings in the year 2022 was as follows:

DIRECTOR	23.03.2022	29.06.2022	17.08.2022	16.11.2022
Riccardo Ridolfi	√	√	√	√
Florence Namatta Maweje	√	√	√	√
Florence Nsubuga	√	√	√	√
Selestino Babungi	√	√	√	√
Johan De Bruijn	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

(c) Customer Service and Loss Reduction Committee (CSLR)

The Committee is responsible for overseeing and advising on service delivery and energy losses reduction strategy.

The Committee's responsibilities include:

1. Ensuring that the Company has in place customer service and loss reduction strategies and implementation plans;
2. Providing guidance to Management in the development of the plans;
3. Monitoring the progress of implementation of the CSLR plans; and
4. Providing status updates of Management's performance against the CSLRs and making relevant recommendations to the Board.

Composition: Hon. Gerald Ssendaula (Chairperson), Anthony Marsh, Riccardo Ridolfi, Florence Nsubuga and Selestino Babungi

Four (4) meetings were held in 2022.

The attendance of the Customer Service and Loss Reduction Committee (CSLR) Meetings in the year 2022 was as follows:

DIRECTOR	22.03.2022	28.06.2022	16.08.2022	15.11.2022
Hon. Gerald Ssendaula	√	√	√	√
Riccardo Ridolfi	√	√	√	√
Florence Nsubuga	√	√	√	√
Selestino Babungi	√	√	√	√
Anthony Marsh	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

(d) People and Change Committee

The People and Change Committee, formerly the Remuneration Committee is responsible for ensuring that the Company has coherent remuneration policies and practices which are consistent with human resources objectives and which enable the Company to attract and retain directors, senior managers and staff to create value for customers, shareholders and stakeholders. This is done while considering the performance of the individual, company, and the general pay environment.

It should be noted that the remuneration structure of the non-executive director fees is not related to the performance of the Company but rather to the skill, experience and time committed to discharge their duty.

The Committee's responsibilities include:

1. Review of the Company's approach to compensation;
2. Oversight of the establishment of compensation proposals;
3. Considering all material remuneration decisions e.g. those relating to the Managing Director, Directors and other members of the Senior Management;
4. Making recommendations as to appropriate incentive schemes.
5. Oversee the design and implementation of a change program focussing on HR company practices

No director or manager is involved in any decisions as to their own remuneration. The Directors' remuneration is highlighted on page 149.

Composition: Andrew Buglass (Chairperson), Florence Namatta Mawejje, Johan De Bruijn
Four (4) meetings were held in 2022 and 1 adhoc meeting as the need required.

The attendance of the People and Change Committee (PaCCo) in the year 2022 was as follows:

DIRECTOR	23.03.2022	29.06.2022	17.08.2022	16.11.2022
Andrew Buglass	√	√	√	√
Florence Namatta Mawejje	√	√	√	√
Johan De Bruijn	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

(e) Nomination Committee

The Nomination Committee reviews and considers the structure and balance of the Board and makes recommendations regarding appointments, retirements and terms of office of directors

The Committee's responsibilities include:

1. Identifying and recommending to the Board, candidates for the Board and competencies of new directors;
2. Reviewing induction procedures;
3. Assessing and considering the time required of directors to fulfil their duties;
4. Reviewing succession plans for the Board and senior Management; and
5. Reviewing measures for keeping directors up to date with the Company's activities and external developments.

Composition: Patrick Bitature (Chairperson) and Hon. Gerald Ssendaula

In line with its mandate to hold at least one meeting a year, the Committee held four meetings in 2022.

The attendance of the Nomination Committee Meetings in the year 2022 was as follows:

DIRECTOR	22.03.2022	28.06.2022	16.08.2022	15.11.2022
Patrick Bitature	√	√	√	√
Hon. Gerald Ssendaula	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

(f) Strategic Review Committee

The Strategic Review Committee advises and assists the Board in matters of long-term planning for the company.

The Committee's responsibilities include:

1. Serve as the Planning Implementation Committee;
2. Coordinate the collection and sharing of information, suggestions and proposals concerning long term planning for the Company;
3. Study and report on specific issues and monitor specific projects as requested by the Board.
4. Engage in strategic planning on the Company's Concession with the Government of Uganda.
5. Establish and provide oversight of policies and frameworks that enhance the company's operational and financial performance
6. Review the Company's 5 year and annual investment plans and underlying funding options
7. To provide oversight of any unregulated business activities

Composition: Anthony Marsh (Chairperson), Patrick Bitature, Riccardo Ridolfi, Andrew Buglass, Florence Namatta Maweje, Johan De Bruijn and Selestino Babungi.

Four (4) meetings were held in 2022.

The attendance of the Strategic Review Committee (SRC) Meetings in the year 2022 was as follows:

DIRECTOR	23.03.2022	29.06.2022	17.08.2022	16.11.2022
Anthony Marsh	√	√	√	√
Patrick Bitature	√	√	√	√
Selestino Babungi	√	√	√	√
Andrew Buglass	√	√	√	√
Riccardo Ridolfi	√	√	√	√
Florence Namatta Maweje	√	√	√	√
Johan De Bruijn	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

BOARD MEETINGS

The Board sets its annual meetings timetable in advance. The Board and Committee meetings are scheduled at least quarterly. Ad hoc meetings and Board Calls are held, as and when required by the circumstances.

Directors are provided with detailed board papers and reports well in advance of meetings. Board resolutions are ordinarily made through written resolutions, however, the Board can make decisions by way of circular resolutions or round robin approvals. Where such resolutions are made it is customary to hold a Board call to receive a briefing and discuss the matter requiring the circular resolution. The minutes of the meetings are signed and kept in the Minute Register. The record of attendance is well documented and kept in the Attendance Book.

Board Composition: Patrick Bitature (Chairperson), Selestino Babungi, Anthony Marsh, Andrew Buglass, Florence Namatta Maweje, Riccardo Ridolfi, Hon. Gerald Ssendaula, Stephen Emasu, Johan De Bruijn and Florence Nsubuga

Four (4) meetings were held in 2022 and one Ad-Hoc Meetings as the need required.

The attendance of Board Meetings in 2022 was as follows:

DIRECTOR	24.03.22	30.06.22	18.08.22	17.11.22
Patrick Bitature	√	√	√	√
Florence Nsubuga	√	√	√	√
Hon. Gerald Ssendaula	√	√	√	√
Selestino Babungi	√	√	√	√
Florence Namatta Maweje	√	√	√	√
Andrew Buglass	√	√	√	√
Anthony Marsh	√	√	√	√
Riccardo Ridolfi	√	√	√	√
Stephen Emasu	√	√	√	√
Johan De Bruijn	√	√	√	√

√ Attendance | A Apology | N/A Not yet appointed | √*AD Attendance by Alternate | *X Resigned

Company Secretary

In accordance with the Articles of Association and the Board Charter the Company has a Company Secretary whose duties are to ensure that the Board remains cognisant of its fiduciary duties, regulatory requirements, responsibilities to conduct the induction of new directors, coordinate Board trainings and maintain Board and Company records.

A board training was held in November 2022 on ESG matters and Climate Change. All directors have access to the services of the Company Secretary.

The Company Secretary is accountable directly to the Board for all matters regarding the proper functioning of the Board.

The Company Secretary function is currently outsourced to Shonubi, Musoke & Co. Advocates.

Key Board Deliberations

During the year, 2022, the board activities and discussions mainly covered the following:

1. Approval of 2021 Annual Report and Financial Statements and Press Release
2. Approval of 2021 Final Dividend Recommendations
3. Approval of External Audit fees
4. Review and Approval of 2023 Annual Operating Plan and Budget
5. Approval of the 2023 Capital Investments Plan
6. Approval of the Interim Financial Statements for the six months to 30 June 2022
7. Review of the Company's performance against its plans and targets
8. Review of regulatory and structural changes to the Electricity sector and its implications to the company
9. Review of the prospects of the Company: specifically, negotiations with the Government of Uganda on the concession extension
10. Review of future alternative business opportunities that the company can explore in the current environment
11. Review and approval of Director and employee compensations
12. Review and Monitoring of Significant Risks to the Company through Enterprise Risk Assessment review
13. Receive, review and approve Board Committee reports
14. Review of the requirements leading to the natural termination concession end date
15. Planning for the concession end date and payment of the Buy Out Amount by Government
16. Recommendation of external auditor reappointment

Succession Planning

The Board actively reviews and assesses its succession plan for Directors based on its needs through the Nominations Committee. Through the committee, potential skills, experience and diversity are sought and reviewed for consideration. Any proposed changes to Non-Executive Directors are subject to approval by the Shareholders at the Annual General Meeting.

Sustainability

The Environment, Social and Governance (ESG) function supports the company to continue adopting and maintaining sustainable practices in its operations. As a member of the community, Umeme's activities are closely monitored to ensure that any risks arising from its operations are managed appropriately. The sustainability report on page 43 provides an analysis of the Company's sustainability performance for the year 2022.

Shareholder and Stakeholder Relations and Engagements

Shareholder value is maintained through continued disclosure of relevant and timely information to the public to promote transparency and nurture our relationships with shareholders. All shareholders are invited for the Annual General Meetings which can be attended physically and virtually as provided in the Company's Amended Memorandum and Articles of Association. The meetings are chaired by the Board Chairman in the presence of other directors where explanations are clearly provided for proposed resolutions allowing for sufficient discussion before votes are taken.

The Annual General Meetings are attended by the company's External Auditors to provide further information and clarifications where required on the audit and company performance.

Shareholder and Investor engagements are coordinated through the company's Investor Relations Function. The Company continues to attend Investor Conferences, holds Results conference calls and one on one engagements with shareholders for further reviews.

C&R Registrars, the company Share Registrar handles emerging shareholder register issues. Dividends for the year are disbursed on time, when declared.

Key to the Company's long-term sustainability remains its mutual relationship with and goodwill from its stakeholders including the Government of Uganda, Regulators, financial institutions, customers, suppliers and the public. Continuous and proactive engagements with these stakeholders are held throughout the year. We continue to hold stakeholder engagements at local, regional and national levels to identify key issues for the Company attention and resolution.

Code of Business Conduct, Ethics and Integrity

The code of business conduct describes what is expected of all our employees and third-party providers. The code is designed to guide Company employees to effectively make the right decisions while carrying out their daily activities according to the Company's ethical principles. These principles maintain the highest standards of responsible practice for the Company and the business environment it operates in. Unethical incidents are reported to the independent integrity department that is in-charge of overseeing all integrity related issues. Covered incidents in the code include insider trading, power theft, bribery and human resources related issues.

Staff members and business partners are also regularly sensitised on the need to report any suspected unethical business practices.

The Company also has a whistleblowing policy that provides a whistleblowing hotline managed by an independent, accredited, and external institution (Transparency International Uganda). Through the hotline, anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals. The hotline is available to both staff and customers. The integrity manager discusses these issues with the Managing Director and a report is shared with the ESG committee of the board.

Dealing in Company Securities

The Company maintains a Prohibition of Insider Trading Policy whose purpose is to ensure that dealings in the Company's shares by directors, major shareholders, contractors, senior management and employees who have access to sensitive information and their related parties, are conducted in an ethical manner that does not prejudice other current and prospective investors of the Company. The policy is strictly applied. Timely information is also provided to staff and Directors on the Closed and Open periods.

Under the policy, Insiders who include employees and directors are prohibited from trading in the Company's shares during closed periods. To the best of the company's knowledge, there has been no breach of this policy during the reporting period.

Related Party Transactions

Other than disclosures given in Note 38 to the "Financial Statements", there were no transactions or proposed transactions that were material to either the Company or any related party. There were no other transactions with any related party that were unusual in their nature or conditions.

Procurement Policies

The Company maintains a fair and transparent procurement process, with emphasis on value for money with our suppliers in line with its procurement policies. The Management Procurement Committee chaired by the Chief Financial Officer oversees the procurement cycle and ensures that there is appropriate risk assurance for procurement activities and engagements with stakeholders.

ENTERPRISE RISK MANAGEMENT

The Board continues to hold the responsibility of overseeing the effective management of risks and making overall decisions on which risks to take as a business. Through its risk management framework, risks continue to be identified, monitored and managed. The company's risk matrix is reviewed and assessed regularly by the Audit Committee of the Board which then reports to the full Board.

The company's management through its Risk and Compliance function implements risk management policies on a day to day basis and prepares and shares updates to the Board on a quarterly basis for discussion at the Audit committee and then Board meeting.

Risk Appetite

The company identifies the risks involved in achieving its strategic objectives and identifies appropriate ways to address the possibilities of them occurring. Umeme operates in a sector that is inherently subject to a high degree of political, regulatory and legal risk. Umeme strives to always inform its shareholders of any risks through its press releases. The key elements of Umeme's strategic framework – including the range and nature of the energy sector and Company's financial objectives – are fully reflective of its risk appetite.

There are some areas where Umeme is exposed to risks for which it has little or no appetite, even though it has implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

In determining its appetite for specific risks, the Board is guided by three key principles:

1. Risks should be consistent with Umeme's core purpose, financial objectives, strategy and values. In particular, safety is Umeme's first value and we have no appetite for risks to the safety of individuals or the environment;
2. Risks should only be accepted where appropriate reward is achievable on the basis of objective evidence and in a manner that is consistent with Umeme's purpose, strategy and values; and
3. Risks should be actively controlled and monitored through the appropriate allocation of management and other resources, underpinned by the maintenance of a healthy business culture.

Promoting the right risk culture

Maintaining a sustainable risk culture that is embodied by all staff is critical to our ability to exponentially seize opportunities and manage our key risks. As such, the Company takes deliberate efforts to continuously reinforce a positive risk culture, by;

1. Continuous capacity building and risk awareness programs to influence staff behaviour and attitude towards risk management;
2. Incorporation of risk management into the business policies and procedures as well as the reporting framework at the different management levels;
3. Decision making based on prior comprehensive risk assessments results; and
4. Orientation of new staff on risk management practices.

The risk culture enables the Company to maintain a risk portfolio that is balanced.









Governance and Risk management

The Board Audit Committee performs its duty to ensure adequate risk management processes and capabilities exist and are complied with in accordance with its terms of reference. The Board is provided with Enterprise Risk updates on a quarterly basis and occasionally where the need arises, in line with the ever-changing operating environment. Management is mandated to deploy the appropriate safeguards to manage the company risks and minimise their potential impact on the business.

Our Risk Management Process

Umeme continues to use its risk management framework to manage existing and emerging risks through:

1. Identification of risks to its strategy and business operations.
2. Assessment of their likelihood and impact.
3. Prioritization of risks based on the assessments.
4. Evaluation and execution of mitigation strategies.
5. Continuous monitoring, reviewing and reporting.

KEY RISK		MITIGATION
<p>Safety Risks</p> <p>Safety risks to our staff, contractors and the public resulting from the network and our business operations.</p>		<p>Implementation of safety and health strategy that include technical staff development, workflow controls, emergency responses, public awareness campaign and provision of personal protective equipment</p>
<p>Regulatory Changes</p> <p>Changes in the regulatory environment that may have negative impact on Company performance and ability to deliver on its mandate</p>		<ul style="list-style-type: none"> • Contract mitigation clauses • Compliance framework • Stakeholder engagements
<p>Technology And Cyber Security</p> <p>Technology system failures or manipulation given the high dependence on systems</p>		<ul style="list-style-type: none"> • Implementation of cyber security mitigation strategy • Systems redundancy and availability
<p>Climate Change and Environmental Risks</p> <p>Impact of climate change and environment on the business and effects of our services on the environment</p>		<ul style="list-style-type: none"> • Compliance with Environmental Laws and Regulations • Climate change mitigation strategy to both minimise Umeme's impact on the environment and to mitigate risks to Umeme's assets and operations caused by the changing climate • Supply chain management of inputs and disposals from our operations
<p>People</p> <p>Ability to attract and retain highly skilled staff given the specialized nature of our operations</p>		<p>Implementation of Human capital management strategy addressing work environment, development, succession planning, safety, remuneration and retention strategies</p>
<p>The Concession Tenure</p> <p>Short tenure of the Concession restricting ability to invest, service delivery and uncertainty among stakeholders</p>		<ul style="list-style-type: none"> • Stakeholder engagements • Prudent Capital Allocation balancing debt repayment, distributions and capital investments
<p>Network Assets Failure</p> <p>Risks of network failure especially primary plant, with significant prolonged outages to customers</p>		<ul style="list-style-type: none"> • Proactive maintenance • System protection • Physical assets security • Building redundancy in the network
<p>Operational Performance Risks</p> <p>Failure to deliver on the regulated operational matrix, thus negatively impacting performance and financial health of the organization.</p>		<p>Prioritized implementation of the Annual Operating plans to deliver on the targets and operational matrix</p>

03

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT FOR 2022

Our 2022 sustainability report highlights our major interventions in line with our commitment to our Social, Economic and Environment priorities.

The report covers our sustainability performance for the year, outlook and provides an overview of our sustainability framework, policies, and how we create value for our stakeholders. The report does not cover the performance of our suppliers or other external stakeholders.

Umeme Limited operates with a strong commitment to business sustainability, recognising the importance of our operations and relationships with stakeholders and the environment in which we operate.

As Uganda's main electricity distribution utility, we have the aim to improve societal life and contribute to economic transformation of the country.

Our mission of providing safe, reliable, and efficient electricity services reinforces this sustainability agenda.

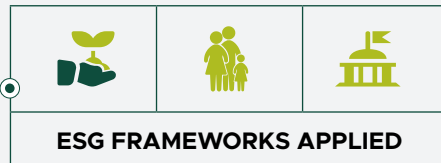
To ensure we address the most important issues to our key stakeholders and wider society, our governance framework includes a core set of policies and procedures, supported by a governance structure.

The Managing Director is responsible for overall leadership on sustainability, while the Board has strategy setting, oversight, and monitoring of implementation responsibility.

The Environment, Social and Governance Committee of the Board provides oversight over ESG and sustainability matters.

The Company has a dedicated ESG function responsible for developing, coordinating and implementing our sustainability strategy, monitoring its performance and risk management while engaging with stakeholders.





We apply and refer to several frameworks to measure and manage our sustainability performance.

These include the Global Reporting Initiative (GRI), Sustainable Development Goals (SDGs), the International Finance Corporation (IFC) Performance Standards, and the United Nations Global Compact (UNGC) principles.

These frameworks guide our sustainability strategy and help us to identify and prioritise our ESG risks and opportunities.



Environment

- Climate Vulnerability
- Green House Gas Emissions
- Land Use and Biodiversity
- Waste Management
- Emergency Preparedness
- Energy efficiency
- Material Sourcing



Social

- Human Capital**
 - Health and safety
 - Diversity and Inclusion
 - Respect for human rights
- Social Capital**
 - Community Shared Value
 - Electricity Access



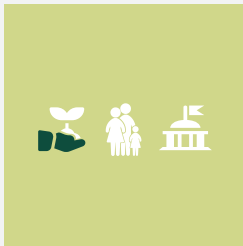
Governance

- Leadership and Corporate Governance
- Business Ethics
- Anti-corruption and Bribery
- Risk Management
- Tax Transparency
- Stakeholder engagement



ENVIRONMENT

Defines the impact of Umeme's operations and investments on the environment in terms of Greenhouse Gas emissions as a result of our operations, climate change exposure of distribution network assets, land use and related impact on protected areas, our suppliers actions or inactions both downstream and upstream.



SOCIAL



Defines Umeme's approach to staff and contractor human rights, occupational health and safety, gender equality, electricity access to all and community shared value.



GOVERNANCE



Defines Umeme's transparency in all our operations ranging from internal governance structures, board composition and executive pay, ethical business behaviour, risk management, corporate compliance, and stakeholder management.







HOW WE CREATE VALUE

Creation of shared value is guided by the principles in the Concession Agreements with the Government of Uganda.

We are committed to prudently operating, maintaining, investing in expansion of the electricity distribution system and delivering retail services to existing and new customers.

For our shareholders, we drive value through impactful investments and driving efficiencies in the distribution system, including cost optimisation, energy loss reduction, bill collections, reliability of supply, and growing grid customer connections. From a customer perspective, value is created when

we deliver safe, reliable, and efficient electricity distribution services to enable the customers achieve their varying needs.

Our operations impact the environment the same way the environment impacts us. We are committed to reducing our environmental impact footprint, promoting social responsibility, and contributing to economic development in the communities we serve.

This creates sustainable operations for current and future generations.





Sustainability Impact and Performance



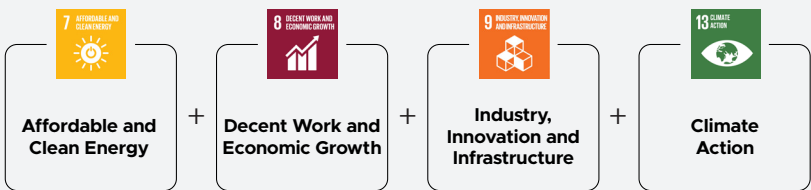
Our sustainability performance is aligned with the SDGs, particularly SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), and SDG 9 (Industry, Innovation, and Infrastructure) and SDG 13 (Climate Action).

We also have a positive impact on the environment through our clean energy and waste reduction initiatives. In addition, we contribute to the social welfare of our stakeholders through our education, healthcare, and community development initiatives.

Our sustainability performance is aligned with the SDGs



The relevant **SDGs** are





SOCIAL IMPACT



OUR EMPLOYEES

We strive to be an employer of choice, attracting, nurturing, and retaining talent to ensure our continued success in the energy sector.

Our human capital development strategy is focused on delivering a safe and conducive employee experience that is founded on our core values, quality leadership, employee collaboration, retention, and engagement, all of which are aligned to deliver the Company objectives.

Total Number of Employees

As of December 31, 2022, the total number of direct employees stood at 2,301, of which 1,922 were male and 379 were female.

The increase in staff numbers in 2022 was due to the re-organization of the business.

We absorbed over 500 contractors as contract technicians, over 100 Technicians, 27 Graduate Trainees and other roles in line with the business needs.

This increase in staff numbers enabled us to reduce our Customer staff ratio and thus greatly improve on the Customer Experience for Umeme customers.

Workforce Diversity

We are proud to have a diverse workforce that reflects the communities in which we operate. Our inclusive work environment fosters staff safety, wellbeing, and growth.

We are committed to providing equal opportunities for all employees regardless of gender, race, ethnicity, religion, or disability. We believe that a diverse and inclusive workforce enhances our creativity, innovation, and competitiveness.



YEAR	2018	2019	2020	2021	2022
Full Time Employees	1,508	1,630	1,619	1,564	2,301
Male	1,175	1,285	1,273	1,230	1,922
Female	339	345	346	334	379
Average Age	37	38	39	38	35
Average length of Service	7	7	8	8	7
Average Training hour per staff	19	32	10	25	17

Staff statistics from 2018 to 2022



Organisational Design

Our organisational structure is designed to ensure the delivery of our corporate objectives while empowering staff to execute their roles effectively. The structure is flexible and allows for career progression within the organization and the wider electricity sector. All jobs are graded using the Patterson methodology to promote equity and fairness in remuneration.

Employee engagement

We recognise the importance of engaging our employees to ensure they remain motivated, productive, and committed to achieving our organisational objectives.

Our employee engagement programs include regular communication, recognition and rewards, performance management, and opportunities for learning and development.

We are proud of the progress we have made in engaging our employees, and in 2022 we saw 85% engagement rate across the organisation.

We are committed to maintaining this level of engagement and continually improving our employee experience.



Performance management system

Umeme's performance management system follows the balanced scorecard cascade methodology.

This approach ensures that our employees' goals and objectives are aligned with our organisational objectives.

At the start of the year, employees' contract with their supervisors on their targets, which are reviewed mid-year and at the

end of the year. We believe in continuous feedback, and our system enables ongoing coaching and development throughout the year.

Performance is tracked through monthly scoreboards and league tables (physical score boards and openly displayed all our service centers and include key safety and service indices) that track the Company's key performance indicators which are aligned the

Company's corporate objectives.

Umeme's performance variable pay philosophy is another critical component of our performance management system.

We offer 35% of the average staff pay as a variable pay component.

This approach ensures that our employees are recognised and rewarded for their contributions to our organisation's success.

Talent Acquisition and Turnover

We focus on retaining our well performing employees and providing them with opportunities for growth and development.

As of 31st December 2022, our total turnover rate (TOR) stood at 3.61%, with 1.86% voluntary and 1.69% involuntary.

The turnover rate (critical talent) remained low at 0.06%. We

believe that our low turnover rate is a testament to our commitment to providing a positive work environment and opportunities for career growth.

Employee Learning and Development

We believe in investing in our employees' learning and development. We offer various learning and development initiatives both on and off the job

for permanent and contracted staff.

Our approach includes a mix of practical, field work and on the job training, traditional classroom training, e-learning, and coaching and mentoring.

We also encourage our employees to pursue external training and development opportunities to enhance their skills and expertise.

Training Conducted in 2022

As part of equipping our staff with the required skills to do their jobs well, we trained 1,286 Umeme staff with a combined total of 21,593 hours with an average of 17 training hours per staff in the year 2022.

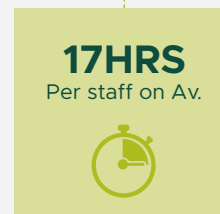
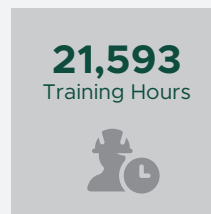
Labour Union and Management relationship

We respect the right of our employees to join a union: the Uganda Electricity & Allied Workers Union in accordance with applicable labour unions and employment laws. As at the end of 2022, 385 staff were members of the labour union. There are regular meetings held between management representatives and representatives of the Labour Union.



TRAININGS CONDUCTED IN 2022

- General Health and Safety Training
- Complaint and Incident management refresher training
- Fraud Risk Management and Assessment.
- Outage Management System Training
- Training of Trainer (TOT) Course for improved Customer Experience
- Enhancing improve Internal Customer Experience Training.
- Operating Regulations for High Voltage Systems (ORHVS) practical Assessments.
- ORHVS Refresher training
- Pole climbing theory and practice.
- Power system overview, Umeme network training
- NEBOSH (National Examination Board in Occupational Safety and Health Training)
- Strategic HR Business Partnering Training
- ORHVS Appreciation course
- Risk Assessment Training
- Energy Losses reduction Training
- Product Knowledge training.
- Revenue Cycle Operations- Internal training
- Soft skills- Internal training
- Control Centre Operations- Internal training
- Mental Health at workplace.
- Communication and presentation skills
- Coaching and Mentoring
- Media Management
- Capability Building and Performance measures and Calibration



Communication

Management is open to a two-way communication between staff and management. Several channels are used to enhance participation and coverage of the communications across the business.

Regular town hall and online meeting are held between management and staff in addition to information delivered through other channels like the weekly U-Connect Magazine, AsktheMD, emails etc.

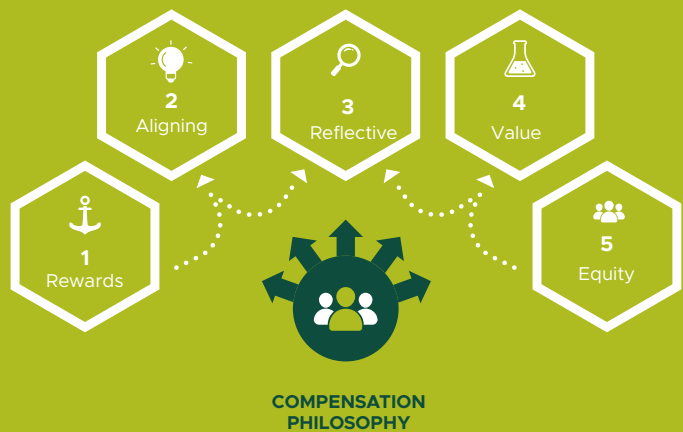


Compensation Philosophy

Employee compensation is critical to the execution of our strategy, while creating sustainable long-term value to our stakeholders. Umeme’s compensation philosophy describes our approach to balancing the underlying 5 objectives it is designed to achieve.

The philosophy therefore revolves around:

1. Providing a total reward structure that consists of both financial and non-financial rewards;
2. Aligning reward practices with the business goals and employee value proposition;
3. Reward reflective of market factors, statutory requirements, economic factors, business performance, and the company’s ability to pay;
4. Staff recognition and reward according to the value created towards achieving the business goals, while providing opportunities for career growth;
5. Internal equity in compensation structure, based on qualifications, skills and job grading.



The philosophy recognises:

The competitive market that exists in Uganda for skilled staff, which presents challenges towards recruitment and retention in some specialised areas critical to the business. We also recognise the developments in oil and gas sector that creates competition for such specialised talent.

That Umeme operates in a regulated environment, which requires it to deliver set regulatory performance and quality of service targets, while working within constraints of regulated operating expenditure.

The need to deliver sustainable returns to shareholders.

The compensation philosophy, is thus designed to achieve the following objectives:

1. Attract and retain skilled staff for the successful execution of the strategy and delivery of the business objectives.
2. Align the compensation plans and decisions with the interests of shareholders and other stakeholders.
3. Promote a high performance and values driven culture across the company.
4. Reflect the regulatory and Uganda market operating conditions in the compensation plans.

Rewards and Recognition

Our reward structure combines both monetary and non-monetary benefits for the short, medium and long term linked to the overall performance of the company. The Company provides a monthly basic salary and annual performance-based bonus. The company contributes 10%, and employees 5% to the statutory National Social Security Fund. Among other benefits, we provide medical insurance to staff and their immediate family.

Retirement Benefit Scheme

Umeme continues to contribute to the contributory Umeme Staff Retirement Benefit Scheme. This is a defined contribution scheme registered under the Uganda Retirement Benefits Regulatory Authority Act, 2011. As of 31 December 2022, the scheme stood at Ushs 33 billion (2021 Ushs 28.8 billion) with 1,420 (2021: 1,348) subscribing staff.

Long Term Incentive Plan (LTIP)

Linking medium term performance to remuneration of the key managerial staff, Long Term Incentive Schemes are instituted from time-to-time. The fourth LTIP scheme is for the period 2022 to 2024. The scheme aims at driving organisation performance while retaining critical staff in the business.

Driving Integrity and Ethics

We will continue to implement and maintain ethical business practices and sound systems of corporate governance. We will not tolerate harassment or discrimination in any of our relationships, whether with employees, contractors, customers, or other stakeholders.

We promote suppliers' success through clear policies, procedures, terms and conditions which are premised on purchasing practices of fairness and transparency, competition and value for money. This is important to ensure our suppliers are aligned with our values and have standards as high as ours. The Procurement Committee oversees all procurements in the Company.

We digitized our Staff Identification Cards for all staff and now through the UmemeAPP, customers can easily verify the identity of Umeme staff that visit their premises



OCCUPATIONAL HEALTH & SAFETY





The safety of our employees, contractors, customers, and the public is our topmost priority in whatever we do. Given the risks related to electricity, the expansive nature of the distribution network, and the magnitude of operations, we acknowledge the underlying safety risks.

While guided by regulatory requirements, our safety plans and actions aim to achieve higher results. We will not undertake any activity without proper safety procedures, equipment and training being in place.

FOR STAFF

Our 2022 staff safety plans covered



-  Provision of PPE
-  Safety training
-  Safety awareness
-  Safety audits



FOR PUBLIC

Our safety management strategy for public safety is underpinned by



-  Safety awareness
-  School safety clubs

The safety of our employees, contractors, customers and the public is our topmost priority in whatever we do.

The root causes of fatalities include



Power theft

+



Vandalism of the network

+



Poor in-house wiring

Regrettably we recorded 11 public fatal accidents in 2022, which was the same fatalities as in 2021.

STAFF AND CONTRACTOR SAFETY

We are committed to ensuring the safety of our staff, contractor's and customers as we continue to provide reliable and affordable electricity services.

Our 2022 staff safety plans covered; adequate provision of Personal Protective Equipment (PPE), training on system operating regulations and risk assessments, training in safe driving and riding practices, safety awareness and communication and safety audits.

Our safety management strategy for public safety is underpinned by the condition of the distribution network, responsive service, and public awareness on the dangers of electricity.

The interventions include improved safety culture among staff, public education and awareness programs, focused safety messaging and sensitisation visits to communities and schools, among others.

COVID-19 PANDEMIC

Despite the full reopening of the economy by the government, we continued to observe the Standard Operating Procedures (SOPs) and advised our staff to do the same.

As a responsible corporate citizen, Umeme Limited continued to ensure the safety of our staff from COVID-19, while providing the much-needed electricity services.

Our operations were guided by the Government directives and SOPs, which included moving towards more digital engagements than physical meetings, reducing staff in offices and work sites, encouraging out of office ways of work, adhering to SOPs, and providing Personal Protective Equipment (PPE) to staff.

We are pleased to report that our COVID-19 management efforts were successful, and we did not register any fatalities or long term impacts among staff. Uganda fully eased the restrictions and opened the economy covering all areas that previously were closed.

EBOLA EPIDEMIC

We did not register any Ebola cases in the business. Government instituted a partial lockdown which was lifted in December by the Ministry of Health. As a business, we observed and enforced all the Safe Operating Procedures (SOP) as per the guidance of the Ministry of Health.

Internal awareness messaging was sent to all our staff to stay alert and safe. Uganda was declared Ebola free on 15th January 2023.



The public is urged to remain vigilant and proactively report any safety-related incidents through any of our communication channels in our continued effort to eliminate this loss of, or injury, to life.

All reported network emergencies are followed through until resolution.



Our emergency response time during the year was on average

7 minutes

Public Safety

We continuously maintain the distribution network, clear vegetation, replace rotten poles, install network protection equipment and invest in refreshment of dilapidated components of the network. Close monitoring and proactive preventative maintenance, along with quick reaction times for corrective maintenance yielded sound results including faster restoration of services.

All network operations are controlled from the National Control Centre through automated and manual operations to avoid operational accidents while staff are working on the network.

We also ensure that the safety initiatives are adequately resourced and budgeted for and protective equipment and tools are readily available to for our staff operating on the network.



Audience	Safety training course	Number of participants
Employees	Safety Induction training for new employees.	796
Employees	NEBOSH (National Examination Board in Occupational Safety and Health Training)	6
Employees	Risk Assessment	280
Employees	HIV awareness training	402
Employees	ORHVS Appreciation course	161
Employees	ORHVS Refresher Course	247
Employees	ORHVS Authorisation course.	144
Contractor	ORHVS Responsible Persons Course.	20
Contractor	ORHVS Contractor Refresher Course	23

Trainings conducted during the year.

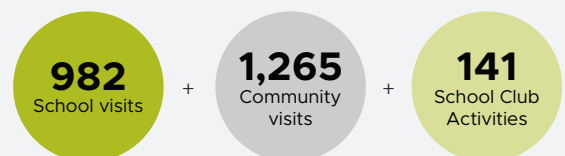
Safety Campaign

As part of our Safety Campaign, we conducted 982 School visits, 1,265 community visits, and sent out 7,727,878 Safety messages. We also had 141 school Safety Club Activities.

We also run Safety Messaging on radio with over 30,000 radio spot ads and spot mentions and more than 300 television spot mentions and ads.

There were more than 30 Live radio and television talk shows during the year conducted by managers, providing an interactive platform with our customers to discuss safety-related matters and mitigation.

These were supported by over 300 PR stories in print, radio, TV, and more than the same number on all the social media platforms.





982
School visits



1,265
Community safety visits

As part of our safety campaign, we conducted



30
Live radio and television talk shows

141

School safety club activities



Stringing plastic washlines in Kamwokya



BUILDING LOCAL COMMUNITIES

At Umeme, supporting and growing our communities as well as protecting the environment is an ongoing commitment. Through our Corporate Social Responsibility (CSR) Program, we continue to implement and support initiatives that address widespread social challenges with priority given to safety, health, environmental and educational causes.

In 2022, Umeme invested approximately Ushs 200m in direct and in-kind contributions to causes that benefited over 25,000 people in partnership with public institutions, local leaders and charity organisations. Through these partnerships we were able to respond to the most critical needs of our communities while fostering mutually beneficial relationships with organisations working to

improve community wellbeing and equity.

Notably, Umeme partnered with Rotary Uganda, the Association of Surgeons of Uganda, Cure Children's Hospital and the Buganda Kingdom among other institutions to implement initiatives that improved the health, wellness, and safety of the communities that we serve.



General surgeon, Dr. Settabi Michael in conversation with Umeme's Tororo Operations Manager, Tom Awuzu



200
MILLION
Invested in CSR by Umeme in 2022

OUR 2022 CSR COVERED



and impacted over
25,000
PEOPLE



Distribution of Safe Wash Lines

We strive to build a safety culture and this manifests in how we engage, educate and team up with communities and local authorities to implement behavioral change initiatives.

In June 2022, we rolled out a safe (plastic) wash lines project in different parts of the Country to curb the increasing number of fatalities attributed to unsafe (metallic) wash lines. Since 2015, the Company has registered 15 fatalities directly attributed to energised metallic wash lines.

The project mainly benefited slum communities where most of the fatalities occurred.

We teamed up with local leaders in these communities to sensitise people on the dangers of using metallic wash lines and illegal electricity connections before installation of the new wash lines.

We installed 80,000 meters of plastic wash lines that benefited 14,274 households.



80,000
meters of
plastic wash
lines stringed



14,274
households
served



The 2022 Rotary Cancer Run

Umeme has been part of the Rotary Cancer Run since its inauguration in 2013 and yet again supported this noble cause through sponsorship and staff participation. The Company directly contributed Ushs 5m and mobilised over 100 staff to participate in the run. All proceeds from the 2022 run were channeled towards the installation of two Linear Accelerator Machines at the Nsambya Hospital Cancer Ward.



The 2022 Kabaka Birthday Run

HIV/AIDS remains one of the biggest health challenges in the Country with a prevalence rate of 5.4% among adults (15-49 years) according to the Ministry of Health estimates 2020.

In 2022, Umeme yet again joined hands with the Buganda Kingdom and other partners to raise funds towards the fight against HIV/AIDS through the Airtel Kabaka's Birthday Run.

Umeme has been part of the Kabaka's Birthday Run since its inception 12 years ago.



Dr. Masaba leading a surgery session during the surgical camp in Bukedi



Surgical Camp

For over a decade, Umeme has supported the Association of Surgeons of Uganda (ASOU) to provide access to free surgical care to thousands of people in different parts of the Country. Through our financial support and participation, the Association has been able to successfully carry out over 3,000 surgical operations of varying complexity free of charge.

In August 2022, Umeme yet again made a contribution of Ushs 20m towards the ASOU Surgical Camp held in Bukedi sub region and rallied staff to directly participate in the week long event's activities including registration of patients.

The camp was held in five different hospitals and Health Centre IVs in the region including Tororo General Hospital, Pallisa General Hospital, Budaka Health Centre IV, Kibuku Health Centre IV and Busia Health Centre.

ASOU worked with resident doctors to offer free consultations, general body checkups and surgery for conditions such as cancer, goiter and hernia among others.

3000
Free surgical operations



Health



3 GOOD HEALTH AND WELL-BEING

1,500
Community members

568
Patients

5
Hospitals



Over 1,500 community members directly benefited from the camp through consultations and check-ups and 568 patients were successfully operated with no mortality reported.



Donation of 50 Triple Bunk Beds to Situmi Primary School

In June 2022, Umeme reached out to Situmi Primary School in Namisindwa district with a donation of 50 triple bunk beds that benefited 150 pupils who were previously placing their mattresses and bedding on the floor. Umeme stepped in to ensure that these children get a good night's sleep as it is an important part of growth and increases their attention span for better academic performance. We also launched a safety club at the school to educate the pupils and by extension the communities in which they live about the dangers of illegal electricity connections that are rampant in the region.

The Cure Brain Surgery Run

The Cure Brain Surgery Run is organised and held annually by Cure Children's Hospital in Mbale to raise funds for life-saving surgeries for children with neurological conditions such as hydrocephalus, spina bifida and brain tumors. As a key partner, Umeme contributed Ushs 15m and rallied staff to participate in the 2022 run. Proceeds from the run enabled 26 children to get free life saving brain surgeries at the hospital.



26
Children got free life-saving surgeries.



150
Pupils served



Taking part in the CURE brain surgery run 2022

The Ramadhan Drive

Annually, Umeme joins the Muslim community in recognising the Holy Month of Ramadhan and celebrating Eid al-Fitr.

The Company runs a Ramadhan food drive that benefits the less privileged members of the community especially in slummy areas. In 2022, the Company purchased groceries that benefited the Muslim community of Nabweru Mosque in Wakiso district.

The items which included rice, sugar, cooking oil, bread, and wheat flour among others were handed over to the administration of Nabweru Mosque in Wakiso District and distributed to over 200 families.



Nabweru Mosque

200+ Families served

66 Community members reached out to with the eye camp in Entebbe.



Employee CSR Initiatives

We have continued to support our employees' desire to make a difference in these communities through response to social causes recommended and funded by teams from our different local offices. 15 staff proposed CSR activities were implemented and supported in 2022.

Below are some of the key staff initiatives implemented;

- Donation of 35 mattresses to Ntinda School of the Deaf.
- A Contribution towards St. Joseph Catholic Church construction project in Mpigi.
- Fruit tree planting in different primary schools including Kamwokya KCCA P/S, Nakivubo Blue P/S and Situmi Primary School among others. A total of 200 trees were planted in 2022.
- Donation of assorted food items to Missionaries of the Poor Orphanage Home in Busega, Kampala.
- Donation of assorted food items to new mothers at Kawempe referral hospital.
- A one-day free medical camp at Umeme-Entebbe Service Center in partnership with Dr Agarwal Eye Hospital and the International Medical Centre Entebbe. The camp benefited 66 community members.
- Donation of food and non-food items to Stars Ministries in Luzira, a Not-for-Profit organisation that looks after children with disabilities.
- Donation of food and non-food items to Kankobe Orphanage in Nabusanke Masaka.



3 GOOD HEALTH AND WELL-BEING

Reaching out to mothers and their newborns at Kawempe National referral Hospital

Free medical Camp in Entebbe



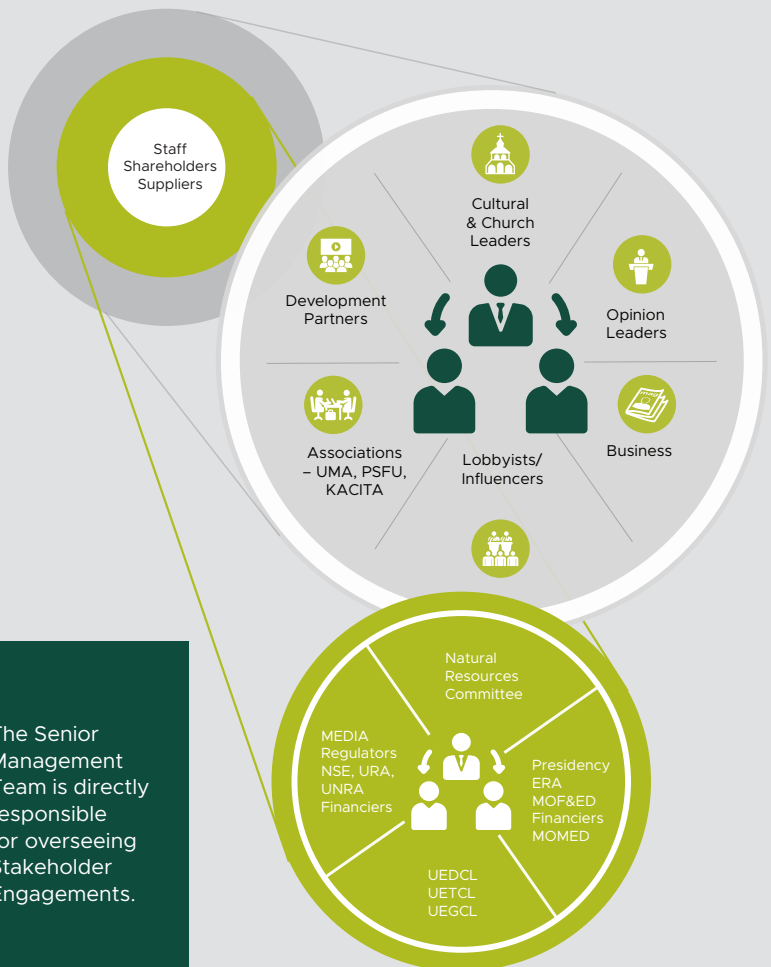
STAKEHOLDER MANAGEMENT



We are continually developing strong, proactive, long-term, and consistent relationships with key stakeholders for mutual beneficial outcomes. This supports the Company’s social licence to operate within the communities served.

Our stakeholders include a wide variety of individuals, organisations, governments, and communities. Customers, employees, suppliers, lenders, and investors are also stakeholder groups with whom we want to maintain solid relationships. We work to structure interactive stakeholder engagement activities so that we can receive effective feedback.

At the corporate level, key relationships (such as heads of state, investors, government policy makers, trade associations, government officials, ambassadors, and international institutions) are managed through dedicated people.



The Senior Management Team is directly responsible for overseeing Stakeholder Engagements.

STAKEHOLDER GROUP	ENGAGEMENT	KEY ISSUES	HOW ISSUES ARE ADDRESSED		
	<p>Engage as individual or collective grouping including consumer associations. We obtain further information through:</p> <ul style="list-style-type: none"> • Customer satisfaction surveys • 24/7 customer call centre • Publications and energy reports on the website 	<ul style="list-style-type: none"> • Reliability of supply • Tariffs • Efficiency of services • Safety 	<ul style="list-style-type: none"> • Provide information via our websites • Customer education programmes and safety tips • Drive efficiency and growth for tariff reductions • Improve service delivery 		
	<p>We regularly communicate and engage with our investors via;</p> <ul style="list-style-type: none"> • Periodic Investor calls • Annual shareholder meeting • Traditional and social media 	<ul style="list-style-type: none"> • Strategy and growth plans • Company prospects • Capital allocation • Governance • Financial performance and liquidity Shareholder returns, including dividends • Risk management 	<ul style="list-style-type: none"> • Maintain a healthy balance sheet and sufficient liquidity • Ensure that investors are provided timely information on key issues • Decision on an extended Concession 		
	<p>We engage with local and state Government officials via;</p> <ul style="list-style-type: none"> • Meetings with elected officials in communities surrounding the Energy sector • Power plant tours • Joint planning exercises conducted with local/state agencies • Reporting in compliance with national and local requirements 	<ul style="list-style-type: none"> • Reliability • Security, affordability and sustainability of electricity supply • Energy market structure and regulation • Job creation • Safety 	<ul style="list-style-type: none"> • Investment in new technologies to keep long-term electricity supply reliable, affordable and sustainable • Engage in discussions with Governments other partnerships 		
	<p>We invest in, support and ensure dialogue with the communities where we operate via;</p> <ul style="list-style-type: none"> • Periodic community meetings in communities • Career fairs • Volunteer projects and social sustainable programs • Participation in community events Website • Traditional and social media • In project implementation, clearing all grievances for Project Affected Persons. 	<ul style="list-style-type: none"> • Employment of local talent • Business development in local communities • Job creation • Safety • Respect of private land and property • Social benefits 	<ul style="list-style-type: none"> • Updates on key issues and projects and feedback mechanisms on website • Compensation of Project Affected Persons during projects implementation 		
	<ul style="list-style-type: none"> • We promote suppliers' success through clear policies, procedures, terms and conditions • It is important to ensure our suppliers are aligned with our values and have standards as high as ours 	<ul style="list-style-type: none"> • Direct contact between vendors and Umeme supply chain buyers and sourcing specialists • Published policies and guidelines, such as safety requirements, environmental guiding principles and supplier diversity objectives 	<ul style="list-style-type: none"> • Centralized management of key supply chain categories • Develop and communicate safety, environmental, and diversity guidelines to existing and prospective suppliers 		
	<p>We engage staff through a variety of different channels:</p> <ul style="list-style-type: none"> • Company intranet • Multi-lingual update communications from company executives • U-Connect-newsletters • Yearly performance reviews • Leadership and employee development opportunities • Employee surveys 	<ul style="list-style-type: none"> • Workplace safety • Career opportunities • Diversity and inclusion • Salary and benefits • Company strategy and leadership • Positive corporate image 	<ul style="list-style-type: none"> • Promote two-way communications • Increase feedback mechanisms • Increase involvement in company related activities 		
					
Customer	Investors	Government	Community	Suppliers	Our people



ENVIRONMENTAL IMPACT

Umeme is committed to building a responsible business that minimises its impact on the environment while also improving its environmental performance.

As an energy distribution utility, Umeme recognises how the environment impacts its operations and works to reduce waste, greenhouse gas emissions, and other air pollutants. The company manages hazardous materials in compliance with government requirements and works with stakeholders to resolve land use conflicts in ways that protect the environment.

Environmental management is a priority for Umeme, and the company has adopted industry

best practices and principles through standards such as the GRI Standards, International Finance Corporation’s Environmental and Social Performance Standards, and ISO 14001 – Environmental Management. In addition, Umeme conducts Environmental and Social Impact Assessments for all major capital projects and engages with project affected communities to ensure seamless project acceptance and execution.

While Umeme has been recognised by the Electricity Regulatory Authority as the most compliant to the National Environmental Guidelines in the Electricity Supply Industry, the company acknowledges the impacts of climate change on its operations.

A baseline study conducted by Umeme identified key issues such as storms, floods, sudden variations in seasons, and bush burning effects that have caused significant losses to the business in terms of replacement costs, accidents, and energy sources.

The company is systematically mainstreaming the study’s recommendations into its operations.

Umeme is also focused on building sustainable partnerships with public institutions and NGOs to enhance awareness on environmental conservation.



The company’s agenda includes implementing the Two Trees per Pole Campaign under U-Green and School Safety Clubs, conducting internal staff campaigns (Think Green, Plant a Tree), and engaging in tree planting initiatives.



Umeme’s Carbon Footprint

In the year 2022, we have been able to quantify our total carbon emissions from our operations that have both a direct and indirect impact on the environment. The scope ranged from electricity usage, fuel and water consumption, coupled with the number of poles used in our operations.

Emission Source/Scope	Unit	Quantity
Total Electricity Consumed	Kwh	2,709,559
Total Fuel Consumed	Litres	2,432,902
Total Poles Used	Pcs	46,768
Water	Cubic metres	31,529
Sulphur Hexafluoride (SF6)	Kg	10.5
Total Green House Gas emissions	KgCO2e	15,847,901
Scope 1	KgCO2e	6,524,460
Scope 2	KgCO2e	2,632,970
Scope 3	KgCO2e	6,690,471

Environment Audit of the Electricity Distribution System - 2022

Umeme recognises the importance of environmental stewardship in its operations and has taken steps to ensure that it operates in an environmentally responsible manner. As part of its commitment to environmental management, an Environment Audit of the Electricity Distribution System for the period 2005 – 2022 was carried out by Geotropic Consults Limited, a NEMA certified environment consultancy firm.

The audit covered major plants on the distribution network, the network, offices and warehouses, waste management and disposal, and presence of any hazardous materials.

The report found the distribution network compliant with the legal requirements. Management is addressing the exceptions noted by the Consultant.

Identification and Assessment of Risks/ Impacts of Climate Change on Network Assets and Operations.

Umeme recognises the impact of climate change on its network assets and operations, and the importance of mitigating the potential risks. In 2022, we developed a comprehensive climate risk assessment plan to identify and assess the risks and impacts of climate change on our network assets and operations.

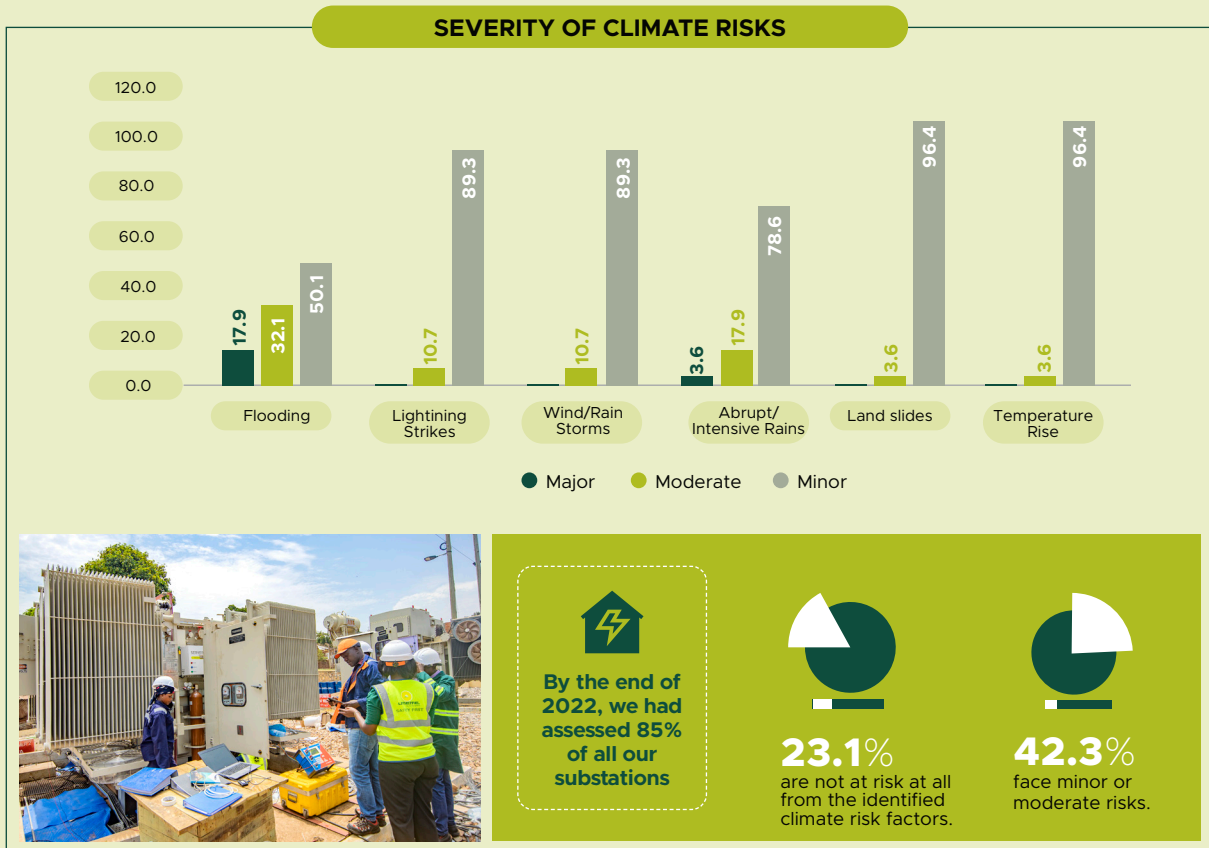
The plan covered all potential risk factors, including flooding, abrupt/intensive rains, lightning strikes, wind/rainstorms, landslides and rising temperatures.

Implementation of the plan began with substations, which are critical components of our network infrastructure. By the end of 2022, we had assessed 85% of all our substations. The results of the assessment showed that the overall impact of climate risks on our substations is relatively low.

Specifically, the summary of risk levels revealed that 42.3% of our substations are not at risk at all from the identified climate risk factors. 23.1% of the substations face minor or moderate risks, and the smallest percentage of 11.5% face potentially harmful risks.

Of all the climate risk factors, flooding emerged as the most significant risk to our operations, with 17.9% of our substations facing this risk. Rising temperatures were identified as the least significant risk to our network assets and operations, with a negligible impact.

Umeme remains committed to continuing to assess and mitigate the risks posed by climate change on our network assets and operations. We will work closely with relevant stakeholders to develop and implement strategies that promote sustainability and resilience in the face of these risks.



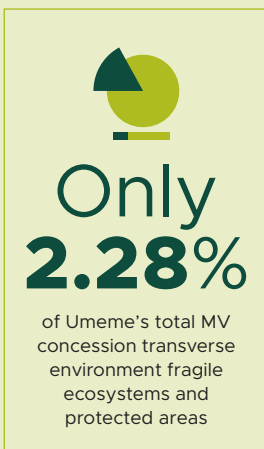
The age of a given asset, location, and size can have a direct bearing on the extent to which the asset can be impacted by climate risk factors. Therefore, the climate risk assessment was intended to deliver accurate asset-specific mitigation measures and ensure the much-needed resilience.

The Company has inculcated climate risk mitigation measures in its construction of new assets and maintenance of existing assets through:

- Construction of effective drainages for substations that do not have drainages, as well as desilting of clogged drainages.
- Replacement of missing cable trench covers, as these let in water that can eventually damage the installations at the substations.
- Installation of automated water pumps in substations located in wetlands, such as the Mbale Tangshan Industrial Park Substation.



ENERGY GREENHOUSE GAS EMISSIONS



Measurement of the Business Carbon Footprint 2021 to date

The journey to reduction of the Company's carbon footprint is included in our strategy and annual workplans. The carbon footprint is measured annually. As of December 2021, Umeme's baseline Total Carbon dioxide Equivalent was 10,965,324.50 KgCO₂e, while the Total Carbon dioxide Equivalent emitted in the course of 2022 was 15,847,900.95 KgCO₂e.

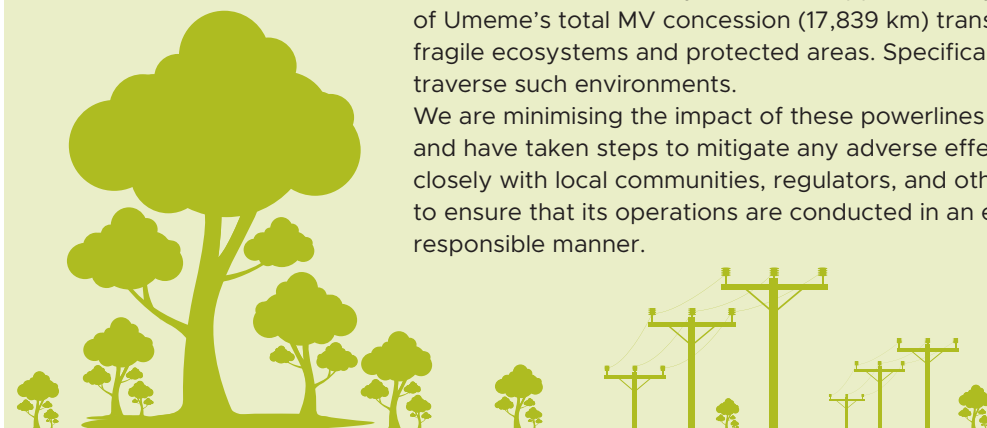
Land use and biodiversity

Careful management of land use and protection of biodiversity in areas where the company operates forms part of our approach to sustainable environmental management.

Location of Powerlines in Ecologically Fragile Environments

Umeme recognises the importance of preserving fragile ecosystems and protected areas. In 2022, the company conducted a quantification of the number of kilometers of powerlines running through such environments. The study found that approximately 2.28% (406.88km) of Umeme's total MV concession (17,839 km) transverse environment fragile ecosystems and protected areas. Specifically, 34 MV feeder/lines traverse such environments.

We are minimising the impact of these powerlines on the environment and have taken steps to mitigate any adverse effects. We are working closely with local communities, regulators, and other stakeholders to ensure that its operations are conducted in an environmentally responsible manner.



Vegetation clearance from proximity to Umeme powerlines

We have continued to prioritise the supervised weeding in our substations, which helps to ensure the safety and reliability of our power supply while minimising any negative impact on the surrounding ecosystem.

We have employed the use of environment and health-friendly herbicides, including the herbicide Kalach, which has a toxicological classification of class III according to the World Health Organisation (WHO)/ Food and Agriculture Organisation (FAO).

This classification means that it is slightly hazardous and requires careful usage and appropriate personal protective equipment (PPE). Our PPE is sourced from UNBS approved suppliers to ensure safety and compliance with national standards.

We obtain consent letters from the National Forestry Authority and other relevant Authorities whenever line clearance is required in protected parks. Senior staff are assigned to oversee vegetation clearance to ensure we comply with the protocols agreed upon with the authorities.

We shall continue to prioritise the safety of our employees and the environment through responsible vegetation clearance practices and the use of environment and health-friendly herbicides.



We shall continue to prioritise the safety of our employees and the environment through responsible vegetation clearance practices and the use of environment and health-friendly herbicides.

Waste Management

In 2022, we took significant steps towards managing our waste effectively. A total number of 120 irreparable old transformers were taken off the network, pending management approval for disposal. We recognise the importance of responsible disposal of such equipment, and therefore, we outsourced this process to Orion transformers. Orion is a reputable company that deals in the sale of transformers and repairs. They were responsible for the proper handling of these transformers, including their transportation, storage, and disposal in accordance with the relevant regulations.

In addition, used transformer oil is also managed by Orion in terms of draining, storage, and disposal at a NEMA licensed entity. Fleet Lubricants are another waste stream that requires careful management. To this end, we ensure that all disposal of fleet lubricants is done by NEMA licensed agents. The disposal of these lubricants is done in accordance with the disposal policies and procedures set by NEMA.

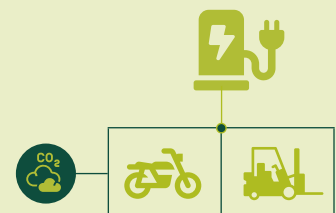
Packaging Materials Used on New stock by Suppliers.

Wooden drums, boxes, polythene bags, steel, tins and sacks are the packaging materials commonly used for new

stock by suppliers and these later turn into waste materials. We encourage recycling of some of the items, like cable drums while others are disposed through NEMA approved service providers.

Contractor Requirements and Performance Evaluation

The Contractor requirements have been developed and designed to provide developers, contractors, and subcontractor with guidelines on how to implement sound practices that minimise environmental impacts and help to achieve Carbon zero during and after execution of the projects.



To reduce its carbon footprint, Umeme is adopting electric vehicles & motorcycles in its operations.



ECONOMIC IMPACT



Engineering teams assembling cables ahead of a field excursion.



Ushs **1,155 Billion**
Power bought from UETCL

10%
Growth in electricity demand
across all customer categories



66%

Industrial users accounted for about 66%
of all the power distributed by Umeme



with commercial SMEs at 11%
and domestic households at 11%.



73%

customer satisfaction
index improved from 68%
to 73% in 2022



Ushs **155 Billion**
of direct and indirect tax
revenue to the Government

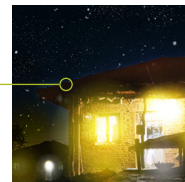
Ushs **34 Billion**



Invested in
network repair
and maintenance



16.8%
We brought down
losses to 16.8%



83%
Distribution
efficiency
achieved in 2022

Economic performance is driven by our business model, the operating environment, and our customers. The financial sustainability is driven by impact investments in the distribution infrastructure, achievement of regulatory efficiencies and delivery of efficient services to customers. The matching upstream investments in generation and transmission systems have a direct bearing on the performance of the distribution segment.

Electricity Demand and Supply
The Country's installed capacity increased to 1,404M W in 2022 and is projected to reach 2,000 MW following the commissioning of Karuma (600 MW) and integration into the grid of the Achwa Hydro Power Plant in 2023.

The maximum demand, as reported by UETCL increased from 750 MW in 2021 to 850 MW by December 2022. This is consistent with the 10% growth in electricity demand across all customer categories.

Energy Sales to Industries

It is hard to talk about development without the factors of production. Uganda has been on a positive trajectory in her development path, and this has been achieved by a host of many factors ranging from peace and security, good political climate but most importantly, a reliable electricity network.

Industrial users account for about 66% of all the power distributed by Umeme, with commercial SMEs at 11% and domestic households at 11%.

Affordable Electricity tariffs for industry remains a critical input to attract industrial investment in Uganda. We recognised, the current prices reflect the cost structures for electricity

generation, transmission and distribution spread over the consumption base. Umeme remains committed to playing its part of the equation through driving distribution efficiencies, increasing consumption and system investments to evacuate the increased generation capacity.

We are completely aligned with the Government objectives in driving the Country's electrification agenda. The alignment is a fundamental pillar of the Umeme Distribution Concession for a sustainable electricity industry.

Customer Service

We aim to delight our customers with an exceptional customer service and experience. through addressing the current customers' key pain points while anticipating their emerging needs for the future with specific solutions.

We consider the growing trends in digitization, decarbonization and decentralization while providing solutions to the customers' changing needs. During the year we continued to invest and maintain the network focusing on improved faults management and timely resolution of outages as they are customers' major pain points.

We invested Ushs 34 billion in network repair and maintenance. We also adopted an insourcing model for our maintenance programs delivered through a decentralized Zonal approach.

This structure had enabled our teams to easily reach and respond to our customer's needs timely. We also improved the look and feel our service centers for improved accessibility for our customer while creating an enabling working environment for our staff. We refurbished 19 service centers.

We received feedback from our customers through multiple engagement channels.

We also conduct customer surveys through independent service providers, to better understand our customers' key pain points and thereafter devise technical and resource plans to address these issues. During the year, customer satisfaction index improved from 68% to 73% in 2022, with a Net Promoter Score of 23%.

Leverage Technology for Operational Efficiency

The Company continues to implement its ICT strategy to deliver the business objectives. To be operationally efficient in service delivery, the company continues to invest in technology and streamline its processes. We see the impact of the investments in reducing the cost of operation at 9.4% and 11.3% on cost per customer and KWh sold respectively in 2022 compared to 2021.

Distribution Efficiency

Distribution efficiency is achieved through reduction in system losses and collection of billed revenues to minimise debts and arrears.

For the year 2022, we achieved distribution efficiency of 83.3%, driven by achieving collections of 99.7% and system losses of 16.8%. Our loss reduction strategy has been refreshed to address the changes in the operating environment.

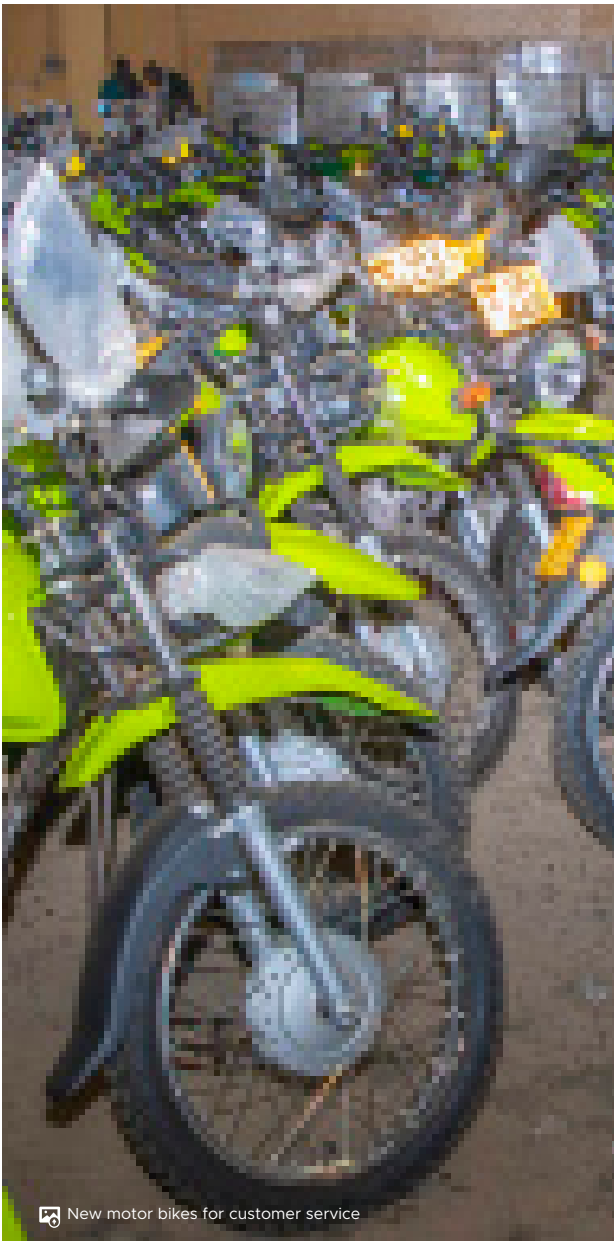
Contributions to GOU


During the year, the cost of bulk power purchases from Uganda Electricity Transmission Company was Ushs 1,155 billion. We contributed Ushs 155 billion of direct and indirect tax revenue to the government.



📷 Loading a transformer ahead of a field excursion in Kabale City





 New motor bikes for customer service

ACCESS AGENDA / NEW CONNECTIONS

The Government through the Ministry of Energy and Mineral Development, Uganda Development Bank (UDB), Electricity Regulatory Authority and Umeme launched a revised connection subsidy program where part of a new customer’s connection costs is subsidized through a loan underwritten by UDB to customers who meet the set loan eligibility criteria. This has increased the number of applications and customers willing to pay for their connections.

We connected 121,132 customers during the year. Customers can now apply for connections online and make payment through our various payment channels.

CAPITAL INVESTMENT PROJECTS IN 2022


The 2022 Capital Investment programme prioritised projects relating to strengthening the distribution network and improving power reliability to our customers. The Capex projects undertaken are a testament to our commitment to enhancing power infrastructure to meet the increasing demands of our customers.

SUPPLY CHAIN PRACTICE AND COMPLIANCE


We have built in our supply chain system measures to ensure compliance with environmental, ethical dealings and local sourcing capabilities. The multiplier effects of our procurement spend on growing the economy is high. Most of our inputs including wooden and concrete poles, conductor, line construction accessories, distribution transformers, construction firms among others, are locally sourced.

We only import if the items of the standard required can not be locally produced.



 Tororo Main-Busia 33kV



 New self-loader trucks for service delivery



UMEME
Powering Uganda

**GET
CONNECTED
FOR 470K**

NO-POLE CONNECTION OPTIONS

1

FULL PAYMENT

UGX 470,000

OR

2

LOAN FACILITY

PAY ONLY
UGX 200,000
(Minimum)

GET A LOAN
UGX 270,000
(Maximum)

**The loan will be recoverable from your Yaka! purchases over a period of 8 years with no interest*


If interested in the loan, visit our Service Centre to sign the Loan Agreement with the requirements below;

- Copy of National ID or Passport.
- Passport-size photograph.

Apply for an electricity connection online and select self-funded

Visit www.umeme.co.ug/MyUmemeOnline or
the **UmemeApp** to submit your application.



 Gulu Substation powering Gulu City.

IMPACT OF OUR CAPITAL INVESTMENTS

PROJECT	IMPACT
Magigye 33/11kV S/s-Fdr refurb (Namulonge - Kawanda/ Bombo)	1. The interventions have led to improvement in the quality and reliability of supply in the Magigye/Bombo service area and surroundings 2. The interlinking and refurbishment of the feeders in preparation for Magigye substation is providing alternative supply in case of maintenance and/or during fault resolution hence allowing continuity and security of supply to customers
Tororo Main- Busia 33kV	Improvement of service reliability and quality of supply in Busia and the surrounding areas.
Nagongera-Butalejja 11kV	Improvement of service reliability and quality of supply in Nagongera , Busolwe, Butalejja and the surrounding areas
Namugogo - Najeera Zonal Reliability Improvement plan	The project covered Nalya, Kira, Kayaliwajala, Kasangati & Gayaza, below is the impact. 1). Outage at peak hours due to overloads reduced to min. 2). The installation of 12 automated MABs reduced down time, load transfer & isolation of faulty parts is automated 3). It created capacity headroom at Ntinda and Kireka S/S which were previously overloaded and would trip daily at peak hours
Kamuli at Jinja Industrial	The works have led to improvement in reliability of supply to Kamuli service area. This was majorly attributed to the installation of inline protection devices and switches as part of the line refurbishment



Kakiri Substation, Wakiso District.

PROJECT	IMPACT
Hoima - Kinyara	The new interconnector is allowing for increased evacuation of 5MVA power from Kinyara sugar works (IPP) to Hoima substation, this has provided alternative source of supply to augment the existing supply line from UETCL hence increasing security of supply to Hoima city service area
Ntinda Zonal reliability Plan	The scope included replacement of rotten poles (225), replacement of poor conductors, construction of links to mesh feeders and installation of 17 Motorised Air Break Switches in this zonal area [Naguru, Nakawa, Mbuya, Ntinda, Kisasi, Kulambiro, Kiwatule, etc] Impact: Supply reliability and security improved as a result of the improved operational flexibility due to the installation of the Motorised Air Break Switches which ease load transfers between feeders and substations
Kiruddu Referral Hospital	The scope was installation of U/G cable R/L 5.2km and 3-Way 11kV RMU, below is the impact. 1). Dedicated line has improved reliability 2). The project created alternative supply from Salama 11kV feeder incase dedicated line is out
Proposed Power Supply to Laroo Forest Ward	The project has enabled the community to add value on the maize which is produced locally through milling and packaging processes
Atopi Village Power Supply	WIP (2023 investment). The project will aid in increasing access to electricity (50 households are estimated to benefit)
Kiira EV	The scope was installation of 4-Way 33kV RMU, below is the impact. 1). Reduced down time, operation was automated 2). The switching station created 3 feeders and one feeder is dedicated to Kiira EV, this improved reliability



Loading transformer ahead of a field installation



Nakasamba substation, Entebbe

REFERENCE TO GRI INDEX

The 2022 Sustainability Report has cited information in this GRI content index for the period 1 January to 31 December 2022 with reference to the GRI Standards.

GRI STANDARD	DISCLOSURE	Cross Reference / Heading	LOCATION - Reference Page
GRI 2: General Disclosures 2021	2-1 Organizational details	About Umeme	6
	2-2 Entities included in the organization's sustainability reporting		N/A
	2-3 Reporting period, frequency and contact point	Integrated Annual report	5
	2-4 Restatements of information		N/A
	2-5 External assurance	Integrated Annual report	5
	2-6 Activities, value chain and other business relationships	Our service Offering	7
	2-7 Employees	Our Employees	49 - 53
	2-8 Workers who are not employees		N/A
	2-9 Governance structure and composition	Corporate Governance	29
	2-10 Nomination and selection of the highest governance body	Corporate Governance	31
	2-11 Chair of the highest governance body	Corporate Governance	22
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance	30
	2-13 Delegation of responsibility for managing impacts	Corporate Governance	30, 33 - 36
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance / Sustainability Report Introduction	38 / 43
	2-15 Conflicts of interest	Corporate Governance	32
	2-16 Communication of critical concerns	Corporate Governance	31
	2-17 Collective knowledge of the highest governance body	Corporate Governance	32
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance	31
	2-19 Remuneration policies	Corporate Governance	32
	2-20 Process to determine remuneration	Notes to Financial Statements	149
	2-21 Annual total compensation ratio	Compensation Philosophy	52 - 53
	2-22 Statement on sustainable development strategy	Chairman's Statement	17 - 18
	2-23 Policy commitments		N/A
	2-24 Embedding policy commitments		N/A
	2-25 Processes to remediate negative impacts		N/A

	2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Management	65
	2-27 Compliance with laws and regulations		N/A
	2-28 Membership associations		N/A
	2-29 Approach to stakeholder engagement	Stakeholder Management	64 - 65
	2-30 Collective bargaining agreements	Labour Union relationship and Management	51
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Report - Introduction	43 - 48
	3-2 List of material topics	Sustainability Report - Introduction	44 - 48
	3-3 Management of material topics	Sustainability Report - Introduction	45 - 48
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Notes to Financial Statements	122
	201-2 Financial implications and other risks and opportunities due to climate change	Our Risk Management Process	41
	201-3 Defined benefit plan obligations and other retirement plans	Compensation Philosophy	53
	201-4 Financial assistance received from government		N/A
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		N/A
	202-2 Proportion of senior management hired from the local community		N/A
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Economic Impact	76 - 77
	203-2 Significant indirect economic impacts	Economic Impact	70 - 74
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Notes to Financial Statements	122
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		N/A
	205-2 Communication and training about anti-corruption policies and procedures		N/A
	205-3 Confirmed incidents of corruption and actions taken		N/A
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		N/A
GRI 207: Tax 2019	207-1 Approach to tax	Notes to Financial Statements	112
	207-2 Tax governance, control, and risk management	Notes to Financial Statements	112
	207-3 Stakeholder engagement and management of concerns related to tax		N/A
	207-4 Country-by-country reporting		N/A

GRI 301: Materials 2016	301-1 Materials used by weight or volume		N/A
	301-2 Recycled input materials used		N/A
	301-3 Reclaimed products and their packaging materials		N/A
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environment Impact	66
	302-2 Energy consumption outside of the organization		N/A
	302-3 Energy intensity		N/A
	302-4 Reduction of energy consumption		N/A
	302-5 Reductions in energy requirements of products and services		N/A
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource		N/A
	303-2 Management of water discharge-related impacts		N/A
	303-3 Water withdrawal		N/A
	303-4 Water discharge		N/A
	303-5 Water consumption	Environment Impact	66
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment Impact	68 - 69
	304-2 Significant impacts of activities, products and services on biodiversity	Environment Impact	68 - 69
	304-3 Habitats protected or restored		N/A
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		N/A
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environment Impact	66
	305-2 Energy indirect (Scope 2) GHG emissions	Environment Impact	66
	305-3 Other indirect (Scope 3) GHG emissions	Environment Impact	66
	305-4 GHG emissions intensity		N/A
	305-5 Reduction of GHG emissions		N/A
	305-6 Emissions of ozone-depleting substances (ODS)		N/A
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environment Impact	66

GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Environment Impact	69
	306-2 Management of significant waste-related impacts	Environment Impact	69
	306-3 Waste generated	Environment Impact	69
	306-4 Waste diverted from disposal		N/A
	306-5 Waste directed to disposal	Environment Impact	69
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria		N/A
	308-2 Negative environmental impacts in the supply chain and actions taken		N/A
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Our Employees	49
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Compensation Philosophy	52 - 53
	401-3 Parental leave		N/A
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		N/A
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety	54 - 56
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	56
	403-3 Occupational health services	Occupational Health and Safety	54 - 56
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	54 - 56
	403-5 Worker training on occupational health and safety	Occupational Health and Safety	56
	403-6 Promotion of worker health	Occupational Health and Safety	55 - 56
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety	54 - 57
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety	54 - 56
	403-9 Work-related injuries	Occupational Health and Safety	54
	403-10 Work-related ill health		N/A

GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee learning and Development	51
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee learning and Development	51
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance management system	50
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Workforce Diversity	49
	405-2 Ratio of basic salary and remuneration of women to men		N/A
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		N/A
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		N/A
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor		N/A
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		N/A
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		N/A
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		N/A
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs		59 - 63
	413-2 Operations with significant actual and potential negative impacts on local communities		N/A
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria		N/A
	414-2 Negative social impacts in the supply chain and actions taken		N/A
GRI 415: Public Policy 2016	415-1 Political contributions		N/A
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Public Safety	55 - 57
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		N/A

GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling		N/A
	417-2 Incidents of non-compliance concerning product and service information and labeling		N/A
	417-3 Incidents of non-compliance concerning marketing communications		N/A
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		N/A



04

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which show the state of affairs of Umeme Limited (“Umeme” or the “Company”).

1. GENERAL INFORMATION

Company background

Umeme Limited is incorporated as a limited liability company under the Companies Act, 2012 of Uganda and licensed by the Electricity Regulatory Authority (ERA) under Licence No. 047 and Licence No. 48 to (together, the “licences”) carry on the business of electricity distribution and supply under the provisions of the Electricity Act 1999, (Cap 145) of Uganda.

The Company took over the system for the distribution and supply of electricity (the “Distribution System”) in Uganda from Uganda Electricity Distribution Company Limited (UEDCL) under a concession arrangement (the “Concession”) for a period of 20 years which commenced on 1 March 2005 and expires on 28 February 2025. Under the Concession, Umeme is also required to operate, maintain, upgrade, and expand the Distribution System within Uganda and such contiguous areas as Umeme and ERA may agree.

Through the Concession, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing 95% of the generated electricity to Ugandan residents, commercial, industrial and Government entities. UEDCL owns the distribution network that was assigned to Umeme under the Privatisation Agreements. Umeme purchases electricity from Uganda Electricity Transmission Company Limited (UETCL), which owns and operates the high voltage transmission network of up to 132KV. UETCL purchases electricity from several sources including: Eskom (U) Limited, operators of the Nalubaale and Kiira hydroelectric power generation stations; Bujagali Energy Limited that operates the Bujagali hydroelectric power plant; Uganda Electricity Generation Company Limited, operators of the Isimba Hydroelectric power plant, Elektro AS, Electro-Maxx, Tronder Power Limited, and other smaller Independent Power Producers (IPPs).

The management of the Distribution System in Uganda requires Umeme to maintain and operate the distribution network; to collect revenues from customers based on the prevailing tariffs set by ERA in accordance with the licences and the privatisation agreements; to make investments in upgrading, expansion and maintenance of the assets forming the distribution network; and to return control of the distribution assets, including new investments, to UEDCL at the end of the concession.

Umeme’s core business activities are summarized as follows:

1. Construction services for electricity distribution infrastructure including sub stations, medium voltage lines and low voltage infrastructure.
2. Operation and maintain the distribution network for safe, reliable, and efficient electricity distribution
3. Connections of new customers to the grid
4. Provision of electricity retail and commercial services that include customer service, billing, revenue protection, revenue collections
5. Public sensitisation and awareness on electricity safety and responsible use of energy
6. Provision of electricity technical advisory services
7. Provision of Project Management and Consultancy services
8. Technical development and training services

REPORT OF THE DIRECTORS

(Continued)

Shared purpose and values

Umeme's shared purpose is "electricity retail and distribution business providing exceptional customer services in a safe, reliable and cost-effective manner with a workforce that is well motivated and skilled, generating sufficient profits to sustain and build the business while providing value to shareholders".

Umeme's values are:

1. We place the **Safety** of our employees and the public at the centre of our actions.
2. We provide an experience of exceptional **Customer Service**.
3. We act with **Integrity**, fairness and transparency in all our dealings.
4. We deliver our services as one **Team**.
5. We deliver quality services and value through **Innovation** and the zeal to succeed, continuously raising the bar on our performance.

Administrative structure

The Countrywide operations are categorised, for administrative purposes, into the following four regions under the supervision of Regional Managers and Network Operations Manager: Kampala East, Kampala West, North Eastern, and Western regions. These regions are further subdivided into 27 districts under the supervision of a District Manager reporting to the Regional Manager. The Company delivers its strategic business objectives through the devolved district structure.

2. KEY SHAREHOLDER INFORMATION

Umeme Limited is a public limited liability company listed on the Uganda Security Exchange (USE) and cross-listed on the Nairobi Stock Exchange (NSE).

The largest shareholders are indicated in Note 24 to the financial statements.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks including health and safety risks, liquidity risk, interest rate risk, credit risk, foreign exchange risk and regulatory risk. The Company's overall risk management strategy focuses on analysis, quantification and implementation of mitigation options available against such risks.

REPORT OF THE DIRECTORS

(Continued)

The main challenges facing the Company that may expose it to financial risk include:

1. Effects of the Covid-19 Global Pandemic.
2. The legal and regulatory environment.
3. The remaining concession tenor limiting financing options.
4. Sustainable end user tariff regime that is adequate to meet the electricity sector revenue requirements.
5. Ability of the Company to meet set regulatory targets of; energy losses, revenue collections, working capital and operating costs.
6. Compliance with statutory codes on power quality, reliability, customer service standards and safety.
7. The general economic conditions that affect the cost of doing business and customers' ability to settle their electricity bills in time.
8. Vandalism of the distribution network and theft of operational materials.
9. Significant capital financing requirements to maintain, rehabilitate and expand the distribution network.
10. Volatility of interest rates, fuel prices and foreign exchange rates.
11. Power supply availability to meet the growing electricity demand.
12. Self-generation by customers.
13. Increasing competition for specialist talent.
14. Bottlenecks in global supply chains
15. Rising global prices

REPORT OF THE DIRECTORS

(Continued)

4. FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following statistics summarize the key financial and operational information of the Company:

Financial statistics	2022	2021	2022	2021
	Ushs million	Ushs million	USD '000	USD '000
Financial results - for the year				
Revenue	1,887,326	1,885,018	511,002	524,643
Gross profit	632,746	642,232	171,473	178,748
EBITDA	384,792	402,345	104,369	111,982
Operating profit	238,805	213,516	67,877	57,875
Profit before tax	214,873	193,977	61,400	52,437
Profit for the year	148,215	139,141	43,361	37,175
Capital investments – for the year				
Investment in the distribution network	110,656	122,502	29,947	34,095
Financial position - At year-end				
Total assets	2,571,066	2,507,296	691,402	706,420
Equity	1,010,048	893,154	271,618	251,642
Outstanding interest - bearing term borrowings	176,631	336,605	47,499	94,837
Cash flow data – for the year				
Net cash flows from operating activities	349,977	315,043	95,134	87,942
Net cash flows used in investing activities	(110,656)	(122,441)	(29,947)	(34,078)
Net cash flows used in financing activities	(267,704)	(190,745)	(71,514)	(53,683)
Per share				
	Ushs	Ushs		
Basic and diluted earnings per share	91.3	85.7	0.027	0.023
Proposed dividend per share	63.9	54.1	0.17	0.015
Operating and other statistics				
	2022	2021		
Electricity sales during the year (GWh)	3,849	3,508		
Electricity purchases during the year (GWh)	4,628	4,277		
Energy losses (percentage)	16.8%	18.0%		
Revenue collections rate (percentage)	99.7%	99.1%		
Total length of distribution lines (Km)	17,839	16,635		
Total length of low voltage lines (Km)	22,803	22,405		
Total distribution transformers at year-end	15,542	14,833		
UETCL Substations 132KV/66KV/33KV/11KV	22	22		
Distribution Substations (33KV/11KV)	62	61		
New connections during the year	121,132	142,623		
Total number of consumers	1,757,565	1,636,431		
Total number of Company employees	2,301	1,564		
Exchange rate:USD to Ushs at year-end	3,719	3,549		
Exchange rate: USD to Ushs (annual average)	3,695	3,593		

The detailed results for the year and financial position as at year-end are presented in the statement of profit or loss and statement of financial position, respectively.

REPORT OF THE DIRECTORS

(Continued)

5. DIVIDENDS

Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 63.9 per ordinary share or Ushs 103,751 million be paid for the year ended 31 December 2022 (2021: Ushs 54.1 per share or Ushs 87,814 million), subject to deduction of withholding tax where applicable, to the shareholders registered in the books of the Company at close of business on 24 June 2023. If approved, the outstanding dividend will be paid on or about 22 July 2023.

6. MANAGEMENT BY THIRD PARTIES

No business of the Company has been managed by a third party or an entity in which a director of the Company had an interest during the year.

7. DIRECTORS

The directors who held office during the year and to the date of this report were:

	Name	Role	Nationality
a)	Patrick Bitature	Chairman	Ugandan
b)	Selestino Babungi	Managing Director	Ugandan
c)	Hon. Gerald Ssendaula	Non-executive Director	Ugandan
d)	Florence Namatta Mawejje	Non-executive Director	Ugandan
e)	Andrew Buglass	Non-executive Director	British
f)	Anthony Marsh	Non-executive Director	British
g)	Stephen Emasu	Non-executive Director	Ugandan
h)	Riccardo Ridolfi	Non-executive Director	Italian
i)	Johan De Bruijn	Non-executive Director	South African
j)	Florence N. Nsubuga	Executive Director	Ugandan

8. DIRECTORS' INTEREST IN THE COMPANY'S SHARES

At the date of this report, some directors held directly an interest in the Company's ordinary issued share capital as reflected in the table below:

Director	Number of shares	% of shareholding	Number of shares	% of shareholding
	2022		2021	
Selestino Babungi	4,565,000	0.28%	3,900,000	0.24%
Patrick Bitature	2,011,100	0.12%	2,011,100	0.12%
Florence N. Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Ridolfi Riccardo	962,784	0.06%	-	0.00%
Hon. Gerald Ssendaula	586,800	0.04%	586,800	0.04%

REPORT OF THE DIRECTORS

(Continued)

9. INSURANCE

The Company maintained directors' and officers' liability insurance during the year.

10. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period which require adjustment to, or disclosure, in the financial statements.

11. AUDITOR

The auditor, Ernst & Young, was appointed during the year and has expressed willingness to continue in office in accordance with section 167 (2) of the Companies Act, 2012 of Uganda.

Approval of the financial statements

These financial statements were approved at a meeting of the directors held on 24 March 2023.

By order of the Board,



SHONUBI, MUSOKE & Co.
ADVOCATES
P.O. BOX 3213
KAMPALA

Signed:

Shonubi, Musoke & Co. Advocates

Secretary, Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2022

The Companies Act, 2012 of Uganda requires the directors to prepare financial statements that present fairly, in all material respects, the Company's financial results and position. The financial statements comprise the statement of financial position as at the end of the reporting period, and the statements of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management. The directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial results and position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda. The directors are of the opinion that the financial statements present fairly, in all material respects, the state of financial affairs of the Company and of the Company's financial results in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and employees are required to maintain the highest ethical standards in ensuring that the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring the known risks across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditor is responsible for independently auditing and reporting on the financial statements. The external auditor's report on the financial statements is presented on pages 93 to 97.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the Company will not be a going concern for the foreseeable future.

Approval of the financial statements

The financial statements of Umeme Limited, as identified in the first paragraph, were approved by the Board of Directors on 24 March 2023 and signed on its behalf by:



Signature

Patrick Bitature



Signature

Selestino Babungi



Ernst & Young
Certified Public Accountants of Uganda
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O.Box 7215
Kampala, Uganda

The firm is licensed and regulated by ICPAU; No: AF 0010
Tel: +256 414 343520/4
Fax: +256 414 251736
Email: info.uganda@ug.ey.com
www.ey.com

REPORT OF THE INDEPENDENT AUDITOR To the shareholders of Umeme Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Umeme Limited (the “Company”) set out on pages 98 to 164, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and the financial performance and the cash flows of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2012 of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provided the basis for our audit opinion on the accompanying financial statements.

REPORT OF THE INDEPENDENT AUDITOR

(Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for capital investments in the Distribution Network	
<p>The Company took over the system for the distribution and supply of electricity (the “Distribution System”) in Uganda from Uganda Electricity Distribution Company Limited (UEDCL) under a concession arrangement (the “Concession”) for a period of 20 years.</p> <p>The concession is structured so that if Umeme’s operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme’s annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. The annual return is based on the unrecovered USD based capital investments as approved by the Electricity Regulatory Authority.</p> <p>The investments made by the Company into the Distribution Network are initially recorded as intangible assets and recovered through the tariff methodology as annual capital recovery charges, factored into the tariffs charged to the customers. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The investments not yet recovered through the tariff methodology at the time of transfer of the Distribution Network to UEDCL are to be paid to the Company as a buy out amount.</p> <p>We considered this to be a key audit matter because:</p> <ol style="list-style-type: none"> 1. The amounts involved and related disclosures, as presented in Notes 17 and 18, are significant to the Company’s financial results and position. 2. The accounting for the related intangible asset and buy out amount involves assumptions and management judgement such as determining: the investments that are expected to be recovered through the tariff methodology vis-a-vis through the buy out amount; and the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement. 	<p>Our audit procedures included but were not limited to:</p> <ol style="list-style-type: none"> 1. Understanding the Company’s processes for recording and accounting for capital investments. 2. Checking the occurrence of capital investment transactions through review, on a sample basis, of supporting documentation. 3. Evaluating the management assumptions and judgements applied in determining the capital investments expected to be recovered through the tariff methodology vis-a-vis the buy out amount. 4. Evaluating the management assumptions and judgements applied in determining the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement and checking the arithmetic correctness of the calculations. 5. Evaluating the rates applied in the amortisation of the intangible asset and checking the arithmetic correctness of the amortisation calculations. 6. Assessing the adequacy of the Company’s disclosures regarding the capital investments.

REPORT OF THE INDEPENDENT AUDITOR

(Continued)

Other information

The directors are responsible for the other information. Other information consists of the information included in the Company Information, Report of the Directors, Statement of Directors' Responsibilities and the Supplementary Information appended to the audited financial statements, which we obtained prior to the date of this report, and the other information included in the Annual Report, which is expected to be made available to us after that date, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the contents of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT OF THE INDEPENDENT AUDITOR

(Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT OF THE INDEPENDENT AUDITOR

(Continued)

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act, 2012 of Uganda, we report to you, based on our audit, that:

- i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit;
- ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii. The statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Julius Rwajekare – P0307.



Ernst & Young
Certified Public Accountants
Kampala, Uganda



Julius Rwajekare
Partner

27 March 2023.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Ushs million	2021 Ushs million
Revenue from contracts with customers	6	1,887,326	1,885,018
Cost of sales	7	(1,254,580)	(1,242,786)
GROSS PROFIT		632,746	642,232
Repair and maintenance expenses	8	(34,161)	(50,366)
Administration expenses	9	(213,305)	(189,521)
Foreign exchange gains /(losses)	10(a)	14,108	(23,854)
Increase in expected credit losses	10(b)	(488)	-
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX		398,900	378,491
Amortisation and write off of intangible assets	11	(160,095)	(164,975)
OPERATING PROFIT		238,805	213,516
Finance income	12	21,457	19,474
Finance costs	13	(45,389)	(39,013)
PROFIT BEFORE TAX	14	214,873	193,977
Income tax expense	15(a)	(66,658)	(54,836)
PROFIT FOR THE YEAR		148,215	139,141
		2022 Ushs	2021 Ushs
BASIC AND DILUTED EARNINGS PER SHARE	16	91.3	85.7

The notes set out on pages 103 to 164 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Ushs million	2021 Ushs million
Profit for the year	148,215	139,141
Other comprehensive income		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Differences on translation from functional currency to presentation currency	56,493	(29,382)
Total comprehensive income for the year, net of tax	204,708	109,759

The notes set out on pages 103 to 164 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 Ushs million	31 Dec 2021 Ushs million
ASSETS			
Non-current assets			
Intangible assets	17	771,996	640,858
Other financial asset	18	1,008,916	1,088,155
Concession financial asset	19	340,121	322,734
		2,121,033	2,051,747
Current assets			
Inventories	20	66,157	100,303
Contract assets	21	42,210	38,556
Current income tax recoverable	15(b)	-	13,942
Trade and other receivables	22	279,344	238,421
Prepayments		16,224	14,091
Bank balances	23	46,098	50,236
		450,033	455,549
TOTAL ASSETS		2,571,066	2,507,296
EQUITY AND LIABILITIES			
Equity			
Issued capital	24	27,748	27,748
Share premium	25	70,292	70,292
Retained earnings		701,711	641,310
Translation reserve		210,297	153,804
		1,010,048	893,154
Non-current liabilities			
Borrowings: Non-current portion	27	-	165,831
Concession obligation	28	340,121	322,734
Deferred tax liability	15(c)	239,450	236,925
		579,571	725,490
Current liabilities			
Borrowings: Current portion	27	176,631	170,774
Customer security deposits	30	11	7
Contract liabilities	31	91,788	56,651
Current income tax payable	15(b)	34,950	-
Accrued expenses	32	17,165	22,645
Provisions	32	881	841
Trade and other payables	33	532,160	542,620
Bank overdrafts	34	127,861	95,114
		981,447	888,652
TOTAL EQUITY AND LIABILITIES		2,571,066	2,507,296

The financial statements were approved by the Board of Directors on 24 March 2023 and were signed on its behalf by:


Patrick Bitature


Selestino Babungi

The notes set out on pages 103 to 164 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Issued capital Ushs million	Share pre- mium Ushs million	Retained earnings Ushs million	Translation reserve Ushs million	Total equity Ushs million
At 1 January 2021		27,748	70,292	521,980	183,186	803,206
Profit for the year		-	-	139,141	-	139,141
Other comprehensive income, net of tax		-	-	-	(29,382)	(29,382)
Total comprehensive income for the year, net of tax		-	-	139,141	(29,382)	109,759
Dividend paid – 2020 final dividend	26	-	-	(19,811)	-	(19,811)
At 31 December 2021		27,748	70,292	641,310	153,804	893,154
At 1 January 2022		27,748	70,292	641,310	153,804	893,154
Profit for the year		-	-	148,215	-	148,215
Other comprehensive income, net of tax		-	-	-	56,493	56,493
Total comprehensive income for the year, net of tax		-	-	148,215	56,493	204,708
Dividend paid - 2021 final dividend	26	-	-	(87,814)	-	(87,814)
At 31 December 2022		27,748	70,292	701,711	210,297	1,010,048

The translation reserve comprises the translation differences arising from the translation of the financial statements from the Company's functional currency to the presentation currency.

The notes set out on pages 103 to 164 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Ushs million	2021 Ushs million
Profit before tax		214,873	193,977
<i>Adjustment for non-cash items:</i>			
Gain on disposal of assets	6	-	(61)
Amortisation of intangible assets	11	159,952	158,597
Write off of intangible assets	11	143	6,378
Interest income on bank deposits	12	(436)	(230)
Finance income on other financial asset	12	(19,044)	(16,639)
Finance income on concession financial asset	12	(1,977)	(2,605)
Finance cost on concession obligation	13	1,977	2,605
Other financing costs	13	20,145	8,717
Expected credit losses on trade and other receivables	10(c)	488	-
Provision for obsolete stock	20	4,118	746
Interest expense on long and short term borrowings	27	20,241	25,111
Amortisation of deferred transaction costs	27	3,056	4,666
Income tax penalty	15(b)	4,795	-
Unutilised long term incentive provision	29	-	(58)
Decrease in provisions	32	-	(432)
Cash flows before working capital changes		408,331	380,772
<i>Changes in working capital items:</i>			
Decrease in inventories		30,028	1,551
(Increase)/decrease in contract assets		(3,654)	52,877
Increase in trade and other receivables		(41,411)	(20,019)
(Increase)/decrease in prepayments		(2,133)	33,551
Increase/(decrease) in contract liabilities		35,137	(83,215)
Decrease in accrued expenses		(5,480)	(31,286)
(Decrease)/increase in trade and other payables		(10,460)	20,163
Cash generated from operating activities		410,358	354,394
Interest received from banks		436	230
Current income tax paid	15(b)	(20,036)	(6,029)
Long and short term borrowings interest paid	27	(20,468)	(24,835)
Other financing costs paid	13	(20,145)	(8,717)
Borrowings transaction costs paid	27	(132)	-
Net cash flows from operating activities		350,013	315,043
Investing activities			
Investment in the distribution network	17	(110,656)	(122,502)
Proceeds from sale of intangible assets		-	61
Net cash flows used in investing activities		(110,656)	(122,441)
Financing activities			
Dividend paid	26	(87,814)	(19,811)
Repayment of principal for long term borrowing facilities	27	(179,890)	(170,934)
Net cash flows used in financing activities		(267,704)	(190,745)
Net (decrease)/increase in cash and cash equivalents		(28,347)	1,857
Cash and cash equivalents at 1 January		(44,885)	(52,489)
Net foreign exchange differences		(8,542)	5,747
Cash and cash equivalents at 31 December	35	(81,774)	(44,885)

The notes set out on pages 103 to 164 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. COMPANY INFORMATION AND GOING CONCERN

1.1 Company information

Umeme Limited (“Umeme” or the “Company”) entered into a concession arrangement (the “concession”) effective from 1 March 2005 in which, among other terms, it signed a Lease and Assignment Agreement (“LAA”) with Uganda Electricity Distribution Company Limited (“UEDCL”) for the Power Distribution Network for a period of 20 years which commenced on 1 March 2005 and terminates on 28 February 2025 plus a 30-day transition period to 30 March 2025. The LAA provides for termination of the agreement by either party, but a “Buy-Out Amount”, as defined in the agreement, is payable to the Company by Government of Uganda (“GoU”). The concession is structured so that if Umeme’s operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme’s annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. This contractual return is set through the life of the concession and is not part of the tariff review. The return is on investment in capital expenditure. The annual return is based on the unrecovered capital investments, in nominal USD, approved by the ERA.

In addition, Umeme receives all of the rewards and bears all the risks of achieving its tariff targets, including Distribution Losses, Uncollected Debt and Distribution Operation and Maintenance Costs (DOMC). Performance above these targets results in a positive impact on the Company’s profitability while performance below the targets negatively impacts profitability. The Company is incentivized to exceed its tariff targets as it receives the reward of earning additional revenues following the payment of its power supply and operating costs in accordance with the tariff methodology, but conversely there is limited protection of downside risks in circumstances where targets are not met due to underperformance. The costs related to the four set tariff parameters of distribution losses, uncollected debt, DOMC and working capital days lag are reflected in the retail tariffs and thereby provide the Company baseline revenues that should just cover expenses relating to these parameters. To the extent that actual operating performance is better than that envisaged in

the tariff parameters, the Company’s revenues in respect of these operating parameters will exceed the related expenses leading to a positive impact on the overall profitability of the Company, and vice versa.

More information about the Company, including the principal place of business and registered address, is included under Company Information and the Directors’ Report.

1.2 Going concern

In line with the concession agreements, on 22 November 2022, GOU communicated to the Company that the concession which commenced on 1 March 2005 will continue to its natural end in March 2025, after which there will be no renewal. This is in line with the natural term of the concession agreement which ends on 28 February 2025 and the additional contractually allowed transition period of 30 days. The concession agreements stipulate conditions to be fulfilled before the transfer of the Distribution Network at termination of the concession agreements. These include:

- Umeme shall, at its own cost, provide a report certified by an engineer that at the date of the report, the Distribution Network and modifications thereto are in a condition and state of repair consistent with prudent utility practice and with adequate spares and inventory. The Company, at its sole cost and expense, shall cause any discrepancies and/or deficiencies to be fully corrected in accordance with the engineer’s remediation plan, if any, contained in the report prior to the return of the Distribution Network including the modifications that have been incorporated thereto.
- Provide to UEDCL an inspection report from a reputable environmental consulting firm certifying that no hazardous material is present on, in or under the Distribution Network.
- From the end of the natural term until termination of the concession agreements, the Company’s obligations in respect of the operation and maintenance of the Distribution Network under the Privatisation Agreements and payment for electricity under the Power Sales Agreement shall be limited to using commercially reasonable efforts to operate the Distribution Network in accordance with Prudent Utility Practices and to maintain the Distribution Network in its condition as of the end of the natural term.

NOTES TO THE FINANCIAL STATEMENTS

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- Notwithstanding anything to the contrary in the concession agreements, the Company will have the right to stop performing all of its obligations 30 days after the end of the natural term, except for those obligations that expressly survive termination.

- As of the date that the Company ceases performance of its obligations to operate and maintain the Distribution Network, UEDCL or its designee will then have the immediate right to step in and take possession of the Distribution Network, operate and maintain the Distribution Network and use the assigned interests and other rights.

- Notwithstanding UEDCL's possession, operation and maintenance of the Distribution Network and use of the assigned interests and other rights, GOU shall not take any action to cause or permit UEDCL to transfer, let or assign the Distribution Network assets, assigned interests and other rights to any third party until the buy out amount is paid in full by GOU. Refer to Note 18 for further disclosures on the buy out amount and the related terms and conditions.

The directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has the contractual rights and resources to continue in business for the remaining period until termination of the concession. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 24 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

The financial statements are prepared on a historical cost basis except where otherwise stated. The financial statements provide comparative information in respect of the previous period.

The financial statements have been prepared in accordance and comply IFRS, as issued by the IASB, and the requirements of the Companies Act, 2012 of Uganda. For purposes of reporting under

the Companies Act, 2012 of Uganda, the statement of financial position represents the balance sheet in these financial statements and the statement of profit or loss represents the profit and loss account.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(b) Functional and presentation currencies and translation of foreign currencies

Functional currency and translation to functional currency

The Company's functional currency is USD, which is the currency that most influences the Company's business and financial statements.

Transactions in foreign currencies are initially recorded by the Company at the spot exchange rates between the functional currency and the foreign currencies at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Presentation currency and translation from functional to presentation currency

The financial statements are presented in Ushs rounded to the nearest million (Ushs million) except where otherwise indicated.

For presentation of the financial statements, assets and liabilities are translated into Ushs at the rate of exchange prevailing at the reporting

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

date. The statement of profit or loss items are translated at the exchange rates prevailing at the dates of the transactions or, where appropriate, period average exchange rates. The exchange differences arising on translation from functional to presentation currency are recognised in a translation reserve under equity through OCI. On winding up the Company, the translation reserve is reclassified to profit or loss.

Issued capital and share premium are translated into Ushs at the exchange rates as at the date of the related initial transition.

The translation reserve is not considered to be distributable to the shareholders.

(c) Service concession arrangement

The concession agreements set out terms, conditions and obligations of the parties to the different contracts as indicated in Note 42. The directors assessed that the concession is within the scope of IFRIC 12 because:

- The Government (grantor) controls and regulates what services the Company must provide with the infrastructure, to whom it must provide them, and the tariffs that are charged; and,
- The Government controls, through ownership and beneficial entitlement, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Company received possession of the concession assets but not ownership and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years, plus a 30-day transition period, on 30 March 2025, unless the contract is terminated before that date. Umeme also has the rights and obligation to make the necessary modifications to the Distribution Network as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. The Company also has an obligation to receive capital contributions from customers and construct and install the infrastructure paid for. ERA may also include within the tariffs a component for recovery of funds from customers for financing assets that are not directly used in the Distribution Network but are necessary for the operation of the Distribution Network (non-network assets).

UEDCL retains title to the modifications and additions funded by the Company and/or customers from the effective date of the modification. The investments made by the

Company into the Distribution Network are recovered through the tariff methodology as annual capital recovery charges factored into the tariffs charged to the customers. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The investments not yet recovered through the tariff methodology at the time of transfer of the Distribution Network to UEDCL are to be paid to the Company as a buy out amount.

The buy out amount is computed as the gross accumulated capital investments less cumulative capital recovery charges at the time of transfer and is accounted for as described in Note 18. In order for Umeme to recover its investments in the Distribution Network and earn a return, the investments need to be verified and approved by ERA.

The Company is only allowed to recover actual costs incurred and earns no profit on the construction services relating to the customer-funded investments.

IFRIC 12 is applied to the infrastructure that the Company constructs or acquires from a third party and the existing infrastructure to which UEDCL gave the Company access for the purpose of the concession. The Company applies IFRIC 12 to the five categories of assets, that is, assets taken over from UEDCL, assets financed by the Company, assets financed by customers, cash capital contributions and assets financed by customer capital contributions collected through the tariffs.

Infrastructure within the scope of IFRIC 12 is not recognised as property, plant and equipment of the Company because the concession arrangement does not convey the right to control the use of the Distribution Network to the Company. The Company has access to operate the Distribution Network to provide the public service on behalf of Government in accordance with the terms specified in the concession contracts.

The nature of the consideration received by the Company for the services performed and obligations assumed determines its accounting treatment. The consideration received or receivable by the Company for the services it performs under the concession arrangement may be rights to a financial asset or an intangible asset. The Company recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of Government for the construction and operation services; the

NOTES TO THE FINANCIAL STATEMENTS

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Government has little, if any, discretion to avoid payment because the concession agreements are enforceable by law. The Company recognises an intangible asset to the extent that it receives a right, e.g. a licence, to charge users of the Distribution Network. A right to charge users of the Distribution Network is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The nature of the consideration given by the Government to the Company is determined by reference to the contract terms and relevant contract law.

The Company is required to make monthly rental payments to UEDCL for the concession assets taken over from UEDCL and the IDA financed modifications. The Company recognises a liability in respect of the unfulfilled obligations it assumed in exchange for these assets. This rental payment obligation is accounted for as a financial liability measured at amortised cost as described under the accounting policy on financial liabilities. The liability is to the extent that the Company receives cash in the tariff for rental payments made to UEDCL regardless of the performance of the Distribution Network assets that were taken over from UEDCL and therefore the Company does not assume any demand risk. Umeme has, in terms of the rental payments, an unconditional right to receive cash. The right to receive cash is accounted for by the Company as a financial asset as described in Note 19.

The recovery of the investments in the Distribution Network is dependent on the performance of the network assets over the concession period and the Company therefore assumes demand risk with respect to these investments. The Company recognises an intangible asset that is accounted for as described in Notes 2(e) and 17.

Under the terms of the contractual arrangements, the Company acts as a service provider with respect to expansion and upgrading (construction services) and operating and maintaining (operations services) of the Distribution Network. The Company accounts for revenue and costs relating to construction services and operations services in accordance with IFRS 15 as described in the accounting policy on revenue.

(d) Revenue from contracts with customers

Revenue represents income arising in the course of Company ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer

at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applies the portfolio approach in assessing contracts. Revenue is stated net of VAT.

Revenue is primarily derived from the sale of electricity and provision of related services, and provision of construction services. Payments from customers for which no services or goods have been transferred are carried in the statement of financial position as a contract liability until when the control of the related services or goods passes to the customer.

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company recognises revenue from sale of electricity at a point in time and revenue from provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company considers whether there are other promises in the contract that are separate

NOTES TO THE FINANCIAL STATEMENTS

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performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of electricity, services and goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers with these characteristics.

Electricity sales

There is only one performance obligation, which is to stand ready to supply electricity to the customer. The transaction price includes both a fixed monthly fee and a variable fee that depends on the customer tariff category as determined by ERA. The fixed and variable components are recognised based on the amount chargeable to the customer. For customers on post-paid metering, where the meter reading is not available, the electricity consumption between the last meter reading and the end of the reporting period is estimated.

Rate-regulated activities

The end-user tariffs approved by ERA at the beginning of each year are used as the base tariffs subject to quarterly adjustments for changes in the macro-economic factors of fuel prices, foreign exchange rates and inflation rates (together, 'the adjustment factors'). The tariffs are adjusted with the actual amounts for the three macro-economic factors lagged by a quarter. The base tariffs are based on the actuals for the period up to 30 November, the second, third and fourth quarter tariffs are based on the actuals up to 28 February, 31 May and 31 August, respectively.

The future tariffs that the Company is allowed to charge customers is therefore influenced by past fuel prices, foreign exchange rates and inflation rates. The Company does not recognise assets and liabilities arising from the future tariffs that the Company will be allowed to charge since the ability to charge a higher or lower price in the future does not meet the definition for an asset or a liability respectively. The ability to charge higher tariffs for electricity to be supplied in the future does not meet the definition of an intangible asset in IAS 38. In particular, the higher prices to be allowed by the regulator in future are not accompanied by a legal requirement for a customer to buy electricity in future, meaning that the Company cannot

demonstrate sufficient control over the related benefits to meet the definition of an intangible asset. The requirement to charge a lower price for the supply of electricity in the future does not meet the definition of a past obligating event, or a liability.

Other regulated income

Other regulated income includes reconnection fees, meter-testing fees, inspection fees, fines and other sundry incomes. They are recognised at the point when the related performance obligation has been fulfilled at the rates prescribed by applicable regulations or at the amounts agreed with the customers.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A contract asset is initially recognised for revenue earned from construction services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

The Company recognises a contract asset from the costs incurred to fulfil a contract if those costs meet all of the following criteria:

1. The costs are not within the scope of another IFRS;
2. The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
3. The costs generate or enhance resources of the Company that will be used in satisfying, or in continuing to satisfy, performance obligations in the future; and,
4. The costs are expected to be recovered.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised from costs to fulfil a contract exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognised as expenses. For the purposes of determining the amount of consideration that the Company expects to receive, the Company uses the principles for determining the transaction price, except for the requirements on constraining estimates of variable consideration, and adjusts that amount to reflect the effects of the customer's credit risk.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional, that is, only the passage of time is required before payment of the consideration is due. Refer to the accounting policy on financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due, whichever is earlier. Contract liabilities are recognised as revenue when the Company performs under the contract.

Customers are required to fully or partly fund the cost of new installations to their facilities. This amount is paid in advance to the Company as a non-refundable capital contribution. The non-refundable capital contribution is treated as a contract liability until when utilised for the construction of the installation paid for.

ERA may include in the tariffs a component for recovery of funds to finance non-network assets. The amounts billed to customers in this respect are not revenue for the Company and are hence offset from the billings to customers and recognised as contract liabilities.

Construction revenue and construction costs are recognised by reference to the satisfaction of the performance obligations of the project.

(e) Finance income and finance costs

The Company's finance income and finance costs comprise of interest income and interest expense on financial instruments. Interest income and interest expenses are recognised using the effective interest amortised cost method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial

instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(f) Intangible assets

Property, plant and equipment that are part of the concession are not recognised in the Company's financial statements in accordance with IFRIC 12. Under the concession agreements, the Company received the right to access, operate and use the concession assets, charge customers for the supply of electricity, and other rights in the form of Government support and assurances for a period of 20 years in exchange for the transaction fee, monthly rental payments and obligations to restore, reinforce and modify the Distribution Network.

The Company recognised an intangible asset for the initial transaction fee, that is, the amount paid for GoU support and assurance rights. This intangible asset is amortised over the concession period of 20 years.

The Distribution Network restoration, reinforcement and modification costs that are funded by the Company and meet the recognition criteria of property, plant and equipment are added to the intangible asset and in cases where the costs are not expected to be recovered through the tariff methodology by the end of the concession, they are classified as a financial asset, that is, the buy out amount.

The buy out amount represents capital investments by the Company in the distribution system which would not have been recovered through the tariff methodology at the end of the concession. The buy out amount is adjustable depending on the circumstances of the concession termination.

Under the LAA, the investment in the intangible assets is recovered basing on depreciation rates of the underlying property, plant and equipment. The intangible assets are therefore amortised using the straight-line method over the useful lives of the underlying property, plant and equipment as this reflects the pattern in which the asset's future economic benefits are expected to be consumed by Umeme, that is, the pattern in which the investment will be recovered through capital recovery charges as allowed by ERA in the tariff as part of Umeme's revenue requirement. The following are the depreciation rates for the underlying property, plant and equipment that are used as the basis for amortising the intangible asset.

Buildings	5%
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Substations	9%	use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.
Low voltage lines	6.3%	
Pole and no-pole service lines (services)	5%	Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Furniture and fittings, tools and other equipment	25–30%	
Computer equipment and other office equipment	30%	
Motor vehicles	25%	

The residual values, useful lives and amortisation methods of the intangible assets are reviewed and adjusted through review and adjusting prospectively, if appropriate, of the underlying tangible assets' residual values, useful lives and methods of depreciation at least at each reporting date.

Intangible assets are derecognised when the underlying property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is de-recognised.

No amortisation is charged for the intangible asset arising from property, plant and equipment in the course of construction (capital work-in-progress). Upon completion of the project, the accumulated cost is amortised using the amortisation rate of the underlying property, plant and equipment category set out above.

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an objective indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less costs of disposal is higher than its carrying amount; or the asset's value in

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Value in use is determined using budgets.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised in prior years are reversed through profit or loss if, and only if, there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset, net of amortisation or depreciation, had no impairment loss been recognised in prior years.

(h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical

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expedient are measured at the transaction price determined under IFRS 15 as further detailed under the accounting policy on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'SPPI' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at fair value through profit or loss

Subsequent measurement (Continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company's financial assets at amortised cost include trade receivables, buy out amount (other financial asset), concession financial asset, bank balances and other assets that are financial assets.

The Company measures financial assets at amortised cost if both of the following conditions are met:

1. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)

is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

1. The rights to receive cash flows from the asset have expired, or
2. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either
3. the Company has transferred substantially all the risks and rewards of the asset, or
4. the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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Impairment of financial assets

The Company recognises an allowance ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Impairment of financial assets

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures on impairment of financial assets are included under the disclosures on significant judgements, estimates and assumptions and the notes on the respective financial assets.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of incremental transaction costs.

The Company's financial liabilities include borrowings, concession obligation, customer security deposits, accrued expenses, trade payables, other payables that are financial instruments and bank overdrafts. These are all classified as financial liabilities at amortised cost.

Subsequent measurement

After initial recognition, the Company's financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

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i) Cash and cash equivalents

Cash on hand, bank balances on demand and time deposit accounts with banks whose original maturities do not exceed three months, and which are subject to an insignificant risk of changes in value, net of outstanding bank overdraft amounts are classified as cash and cash equivalents in the statement of cash flows. Bank overdrafts are considered an integral part of the Company's cash management. Bank balances not available for use in the Company's operations, are not classified as cash and cash equivalents in the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the weighted average purchase cost and includes transport, handling costs, duties and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

National Social Security Fund contributions

The Company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross emoluments. The Company's contributions are charged to profit or loss in the period to which they relate.

Staff retirement benefit scheme

The Company contributes to a staff retirement scheme that is registered with Uganda Retirement

Benefits Regulatory Authority as Umeme Limited Staff Retirement Benefit Scheme (Licence No. RBS.0069). This is a defined contribution scheme registered under the Uganda Retirement Benefits Regulatory Authority Act, 2011. The Company's obligations under the scheme are limited to specific contributions, currently 5%, of the employees' gross salary as approved by the Board of Directors. The Company's contributions are charged to profit or loss in the period to which they relate.

Long term incentive plan (LTIP)

The Company will recognise an annual cost of employment expense in respect of the deferred bonus scheme in each financial period covered by the scheme and will recognise a liability equal to the anticipated cash award that the employees will ultimately be entitled to when the award vests. The cost is recognised over the period during which the qualifying employees provide services. If the effect of the time value of money is material, the liability is discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

l) Tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, in accordance with the provisions of the Income Tax Act (Cap 340) of Uganda. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the income tax returns in respect to aspects where the Income Tax (Cap 340) of Uganda is subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided for in full, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in OCI is recognised in OCI and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except:

1. where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and,
2. receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as

part of receivables or payables in the statement of financial position.

m) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

1. Expected to be realised or intended to be sold or consumed in the normal operating cycle;
2. Held primarily for the purpose of trading;
3. Expected to be realised within 12 months after the reporting period; or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within 12 months after the reporting period; or

There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

n) Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per Companies Act, 2012 of Uganda, a distribution is authorized when it is approved by the shareholders. The approved dividends are charged to retained earnings and recognised as liabilities until when paid. Interim dividends are charged to retained earnings when paid. Withholding tax is deducted, where applicable, in accordance with the prevailing tax laws and regulations.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period

NOTES TO THE FINANCIAL STATEMENTS

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of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest expense and other costs, e.g., exchange differences arising from foreign currency borrowings and other financing costs to the extent that they are regarded as an adjustment to interest costs that the Company incurs in connection with the borrowing of funds.

p) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Comparatives

Except when IFRSs permit or require otherwise, the Company presents comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. The Company includes comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.

The Company presents, as a minimum, two statements of financial position, two statements of profit or loss, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity, and related notes. The Company presents a third statement of financial position as at the beginning of the preceding period in addition to these minimum comparative financial statements required if:

1. it applies an accounting policy retrospectively, makes a retrospective restatement of items in the financial statements or reclassifies

items in the financial statements; and,

2. the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

In these circumstances, the Company presents three statements of financial position as at:

1. the end of the current period;
2. the end of the preceding period; and,
3. the beginning of the preceding period.

The Company does not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

If the Company changes the presentation or classification of items in the financial statements, it reclassifies comparative amounts unless reclassification is impracticable.

r) Equity

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

s) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company's lease arrangements are under the concession and hence scoped out of IFRS 16 *Leases*.

t) Fair value measurement

The Company has no assets or liabilities for which the carrying amounts are at fair value at each reporting date. Fair value measurements

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are therefore done for the purposes of initial measurement of financial instruments and for fair value disclosure purposes. Refer to Note 44 for further disclosures on fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation, based on the lowest level input that is significant to the fair value measurement as a whole, at the end of each

reporting period.

The Company's management determines the policies and procedures for fair value measurement. Generally, the discounted cash flows method is used to determine fair values of assets and liabilities for which fair value disclosures are required. Otherwise, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

3) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have had significant effects on the measurement and presentation of the amounts recognized in the financial statements:

Impairment at cash generating unit level

As at 31 December 2022, the Company's market capitalization as at year-end was Ushs 440,071 million (2021: Ushs 306,913 million) which was lower than the carrying amount of the Company's net assets of Ushs 1,010,048 million (2021: Ushs 893,154 million). The directors consider that this is not an impairment indicator whereby the carrying amount of the net assets of the Company may not be recoverable. The judgements applied in this assessment include that the Company's business fundamentals remain positive as expected, with increasing profitability and investments in the Distribution Network. Furthermore, the market capitalization is higher than the carrying amount of the net operating assets. The directors also consider that the carrying amount of the net assets of the Company is supported by the buy out amount for which the Company has contractual and legal remedies that support its

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recoverability.

Lease arrangements

The Company has entered into lease agreements for office space and residential premises. The Company has determined, based on an evaluation of the terms and conditions of the concession agreements, that all the lease arrangements are under the concession arrangement for which IFRIC 12 is applied. As such, the lease arrangements are scoped out of IFRS 16 *Leases*.

Useful lives of intangible assets

The estimated useful lives and residual values of items of the intangible assets are reviewed annually and are in line with the rates at which they are amortised. Refer to Notes 2(f) and 17 for further disclosures on intangible assets.

Investments in the Distribution Network

The directors have determined that the Company has rights in the concession agreements to recover all investments in the Distribution Network that are done in accordance with the concession agreements. The investments are firstly recovered through the intangible asset mechanism, that is, through the tariff methodology during the concession period, and secondly, investments not recovered through the tariff methodology by the end of the concession period are recovered through the buy out amount mechanism. The amounts recovered through the intangible asset mechanism are derived from the investments verified and approved by ERA for recovery through the tariff rate asset base. Investments verified by ERA and not approved for recovery through the tariff methodology, but for which there is reasonably sufficient evidence that the investments were done in accordance with the concession agreements, are considered to be recoverable through the buy out amount option. In the period when Umeme operates the concession, Umeme does assume demand risk, that is, Umeme will, depending on operating efficiencies, and the use of electricity by the customers only be entitled to collect the cash that the asset generates. As Umeme has no guaranteed right to recover the costs incurred on expanding or upgrading the distribution network until the buy out is triggered on termination or on natural term end, the costs expected to be recovered during the period when Umeme operates the concession are accounted for as intangible assets. The directors apply judgement in determining that

the Company has sufficient evidence that the investments were done in accordance with the concession agreements. The directors also apply judgement in determining the discount rate to use in calculating the fair value on initial recognition of these financial assets, that is, the market rate applicable to similar investments. Refer to Note 18 for further disclosures on the buy out amount financial asset.

Functional currency

The directors have assessed that USD continues to be the Company's functional currency since it is the currency that influences most the Company's operations and financial results and position. Some of the factors considered in this assessment are that the Company's revenue requirements are contractually based in USD, a number of expenses are incurred in USD and that financing is mainly sourced in USD.

Concession obligation and asset

The directors have assessed that despite the LAA requiring the Company to pay rental amounts to UEDCL in the subsequent year, the Company will not have this obligation since the related debt service amounts are not included in the base tariffs for the subsequent year. As such, the Company has no rights to collect the related financial asset from billing customers. On this basis, the concession obligation and financial asset have been considered to be non-current. Refer to Notes 19 and 28 for further disclosures.

Floating rate borrowing and borrowing transaction costs

Where a floating rate financial liability is initially recognised at an amount equal to the principal repayable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the financial liability. The directors consider that this implies that the Company may simply account for periodic floating-rate payments on an accrual basis in the period they are incurred. An alternative treatment would consist of calculating the effective interest rate based on a market-derived yield curve applicable for the entire life of the instrument. Applying this alternative approach, the calculated effective interest rate is applied until estimated future cash flows are revised, at which point a new effective interest rate is calculated based on the revised cash flow expectations and the current carrying amount. The Company considers the former treatment to be more appropriate.

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Borrowing incremental costs are deferred and amortised over the term of the related borrowing. The directors' assessment is that the impact of using this approach is not materially different from amortising the costs using the effective interest method.

Refer to Note 27 for further disclosures on borrowings.

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of the construction service performance obligations: The Company concluded that revenue from construction services contracts is to be recognised over time as the constructed asset is installed. The directors have applied judgement in determining that the Company's performance creates an asset that the customer controls as the asset is created or enhanced.

Identifying performance obligations relating to electricity sales: The Company sells electricity and provides related after sales services. The Company determined that these services are not capable of being distinct. The fact that the Company does not sell the services separately on a stand-alone basis indicates that the customer cannot separately benefit from services provided on their own.

Refer to Note 6 for further disclosures on revenue.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair value on initial measurement of a

financial instrument or disclosed in the financial statements cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as expected cash flows and discount rates. Changes in assumptions about these factors could affect the disclosed fair values. Refer to Note 44 for further disclosures on fair value measurements.

Impairment of non-financial assets

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Company performs the annual impairment assessment at year-end. The Company considers the relationship between value in use and the carrying amount of the asset, among other factors, when reviewing for indicators of impairment. As at year-end, the impairment assessment indicated that there were no indicators that the carrying amounts of the non-financial assets could be impaired.

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing off the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Refer to Notes 2(g) and 17 for the accounting policy on impairment of non-financial assets and the carrying amounts of the non-financial assets.

Taxes

Uncertainties exist with respect to the

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interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the Country.

Further disclosures on tax and tax contingencies are included in Notes 15 and 40.

Expected credit losses on financial assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Notes 22 and 43.

Contingencies and provisions

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case and differences in applicable law. Upon resolution of any pending legal matter, the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavorable outcome of litigation.

Refer to Note 40 for further disclosures.

Prepaid revenue cut off

The Company operates a prepaid metering system for some of the domestic consumers and Government bodies. The electricity units paid for but not consumed by year-end are determined basing on the customers' consumption patterns. The customers' historical consumption patterns may not be representative of the unutilised units at year-end. Refer to Note 31 for further disclosures.

Regulatory adjustments

Some aspects of the following regulatory adjustments involve estimation:

Computation of Power Sales Price: Annex A of the Supply of Electricity License provides for Power Sales Price (PSP) reconciliations based on actual power purchases from UETCL and the cost of power purchased (Bulk Supply Tariff) from UETCL as set by ERA. The reconciliation mainly occurs due to differences between inputs used in setting bulk supply tariffs and actual out turns. The resulting differences or reconciliations are allowed for recovery in the subsequent tariff periods. Refer to Note 40 for further disclosures.

Computation of growth factor revenues: Amendment 5 to the Company's Electricity Supply Licence recognises that the Company generates excess sales volume over and above the targeted sales volume used in setting the tariffs. ERA determines the growth factor (HVE) resulting from this by applying the actual distribution price approved and the actual out turn of energy losses to the excess sales volume. Refer to Note 6 for further disclosures.

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4. STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE DURING THE YEAR

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year. There were several new and amendments to standards and interpretations which are applicable for the first time in 2022.

The following amendments became effective as at 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements.

These amendments had no impact on the Company.

5. Standards issued but not yet effective

The new and amended standards and interpretations that were issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below, if they are expected to have an impact on the Company's financial statements when they become effective. 'The Company

	Effective for annual periods beginning or after:
IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Postponed indefinitely

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

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intends to adopt the below new and amended standards and interpretations (as listed below) which are expected to be applicable, when they become effective and they are not expected to have a material impact on the Company's financial statements. The Company has not opted for early adoption of any standard, interpretation or amendment that has been issued because they are not yet effective.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's primary geographical market is Uganda. Revenue from sale of electricity including lifeline surcharge revenue is recognised at a point in time when the customer consumes electricity, based on the end user tariff set by ERA.

Changes in prices charged to customers arise through changing tariffs over the contract term through the quarterly price changes made by ERA, and pricing by time of day, that is, peak, shoulder and off-peak. The pricing by time of day reflects the value of electricity that the customer consumes during the different time segments during the day. In line with the IFRS 15 practical expedients, the Company has assessed that the tariff adjustments are not variable considerations but rather a reflection of the value of providing electricity units during the tariff period. Moreover, the changes in tariffs are accounted for in the same reporting period.

The Company's revenue is disaggregated by customer tariff category of billing as follows:

	Notes	2022 Ushs million	2021 Ushs million
Electricity Sales			
Domestic		551,336	505,518
Commercial		254,900	234,541
Street lighting		813	665
Medium industrial		286,600	293,577
Large industrial		410,137	360,557
Extra-large industrial		324,862	316,033
Total amount billed to customers		1,828,648	1,710,891
Add: Recognition of deferred income [Note 31(c)]	(a)	-	104,386
Recovery of Non-network asset funds[Note 31(d)]	(b)	-	16,288
Less: Amounts collected from customers that are not revenue for the year:			
Growth factor amounts	(a)	(30,000)	-
Recovery of amounts for funding non-network assets	(b)	(7,131)	(9,548)
Recovery of amounts for ERA Approved UEDCL Investments	(b)	(2,609)	(7,531)
		1,788,908	1,814,486
Other revenue streams:			
Construction revenue - construction of assets	(c)	89,457	64,371
Construction revenue - ECP revenue	(d)	-	-
		89,457	64,371
Other regulated income:			
Reconnection fees		126	183
Inspection fees		5,997	4,678
		6,123	4,861
Other non-regulated income:			
Sale of scrap and other income		52	57
Fines and other income		2,786	1,182
Gain on disposal of assets		-	61
		2,838	1,300
Total revenue from contracts with customers		1,887,326	1,885,018

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(a)	<p>There were no amounts (2021: Ushs 104,386 million) previously deferred, relating to growth factor amounts recognised during the period in accordance with Modification Number Five to Umeme's Electricity Supply License No.048.</p> <p>Ush 30,000 million was deferred during the year (2021: Nil) to fund one pole connections.</p>
(b)	<p>In accordance with Amendment Number 4 of the Company's Electricity Supply License, ERA approved Ushs 7,131 million (2021: Ushs 9,548 million) to be collected from customers through the retail tariffs for purchase of non-network assets. Non-network assets are those assets which do not directly improve or expand the Distribution Network but are necessary for operation of the Distribution Network. This amount is excluded from the amounts billed to customers to arrive at the reported revenue in line with the funding mechanism.</p> <p>Additionally, no amounts (2021: Ushs 16,288 million) relating to unutilised funds for non-network assets was recovered during the period.</p> <p>ERA further approved UEDCL non-network assets investments of Ushs 2,609 million (2021: Ushs 7,531 million).</p>
(c)	<p>The Company provides construction services relating to the upgrading and expansion of the Distribution Network in accordance with the concession agreements. The expenses that are incurred on the assets additions funded by direct cash contributions paid by customers are recognised in profit or loss as construction cost of sales and the amounts paid by the customers for the construction services ("non-refundable capital contributions" or "NRCC") are recognised as construction revenue when utilized. The costs incurred on the upgrading and expansion additions funded by the Company are offset from the related construction revenue as this reflects the substance and legal form of the transactions. Ushs 36,669 million (2021: Ushs 17,802 million) relates to construction revenue from AfDB connection project.</p>
(d)	<p>Under the Electricity Connections Policy (ECP), the Company was engaged by the Rural Electrification Agency (REA) to provide construction services regarding connection of no-pole and one-pole electricity connections. The agreement for this service entitles the Company to bill REA at specified approved standard cost rates plus a margin of 5%. Billing for the connections constructed is subject to verification and clearance by the IVA.</p>
(e)	<p>Information about the Company's performance obligations is summarised in Note 2(d).</p>
(f)	<p>Contract balances are trade receivables (Note 22), contract assets (Note 21) and contract liabilities (Note 31).</p>

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7. COST OF SALES

	2022 Ushs million	2021 Ushs million
Electricity purchase from UETCL	1,155,896	1,171,556
Generation levy	9,227	5,102
Construction costs: construction of assets [Note 6c]	89,457	64,371
Construction costs: ECP [Note 6(d)]	-	1,757
	1,254,580	1,242,786

8. REPAIRS AND MAINTENANCE EXPENSES

	2022 Ushs million	2021 Ushs million
Distribution (overhead and underground)	4,645	9,644
Transformers, meters and other electrical equipment	12,290	14,375
Other repairs and maintenance	17,226	26,347
	34,161	50,366

Other repair and maintenance costs include pole replacement costs, vegetation management, Substation repairs and other maintenance related costs.

9. ADMINISTRATION EXPENSES

	2022 Ushs million	2021 Ushs million
Staff and network contractor management costs ¹	121,342	115,743
Transport costs	23,578	17,731
Software support agreements	9,496	9,309
Publicity, advertisement and sms communication	2,180	2,925
ERA licensing fees	6,041	5,591
Operating concession charges – UEDCL	7,645	7,013
Rental expenses	2,716	3,094
Directors' expenses and allowances	2,838	2,680
Other administration costs ²	19,621	11,099
Consultancy fees	5,144	3,216
Telephone expenses	7,361	6,863
Debt collection expenses	2,014	1,110
Insurance premium charges	3,329	3,147
	213,305	189,521

¹Staff and network contractor management costs

Salaries and wages	70,827	63,283
National Social Security Fund (NSSF) contributions	8,635	6,855
Other employment related costs	41,880	45,605
	121,342	115,743

The other employment related costs include the following amounts:

	2022 Ushs million	2021 Ushs million
Short term employee performance award	14,119	16,276
Contractor management fees ¹	10,387	12,924
Staff medical expenses	3,584	3,514
Travel expenses	3,144	2,828
Retirement benefit scheme	2,686	2,519
	33,920	38,061

¹Contractor management fees mainly relate to fees paid to contractors that are involved in the repair and maintenance of the distribution network.

²The 2022 amount includes Covid-19 related costs of Ushs 29 million (2021:Ushs 325 million).

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10. OTHER OPERATING EXPENSES

		2022 Ushs million	2021 Ushs million
(a) Net foreign exchange (gains)/losses		(14,108)	23,854
		(14,108)	23,854
b) Increase in expected credit losses	Notes		
Increase / (decrease) in ECL - trade receivables	22	488	(1,685)
Increase in ECL - other receivables	22	-	1,685
		488	-

11. AMORTISATION AND WRITE OFF OF INTANGIBLE ASSETS

	2022 Ushs million	2021 Ushs million
Amortisation of intangible assets (Note 17)	159,952	158,597
Write off of intangible assets (Note 17)	143	6,378
	160,095	164,975

12. FINANCE INCOME

	2022 Ushs million	2021 Ushs million
Interest on bank deposits	436	230
Finance income on other financial asset (Note 18)	19,044	16,639
Financing income on concession financial asset (Note 19)	1,977	2,605
	21,457	19,474

13. FINANCE COSTS

	2022 Ushs million	2021 Ushs million
Finance costs relating to debt facilities		
Interest expense on Facility A (Note 27)	5,040	6,259
Interest expense on Facility B (Note 27)	5,380	6,672
Interest expense on Facility C (Note 27)	5,332	6,611
Interest expense on Facility D (Note 27)	4,489	5,569
Amortisation of borrowings transaction costs ¹	3,056	4,804
Other financing costs ²	20,145	8,717
	43,442	38,632
Less: Capitalised borrowing costs	-	(2,253)
	43,442	36,379
Finance costs related to other financial liabilities		
Accrued interest on customer security deposits	(30)	29
Finance charge on concession obligation (Note 28)	1,977	2,605
	1,947	2,634
Total finance costs	45,389	39,013

¹This relates to deferred costs on the borrowings in Note 27 of Ushs 2,834 million (2021: Ushs 4,666 million) and overdraft facilities in Note 34 (2021: Ushs 138 million).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

²The other financing costs comprise of the following:

	2022 Ushs million	2021 Ushs million
Interest expense on overdraft facilities	9,866	7,359
Other financing related costs*	10,279	1,358
	20,145	8,717

* These relate to charges for late payment of BST invoices.

14. PROFIT BEFORE TAX

	2022 Ushs million	2021 Ushs million
Profit before tax is stated after charging:		
Amortisation of intangible assets	159,952	158,597
Write off of intangible assets	143	6,378
Auditor's remuneration ¹	778	692
NSSF - employer's contributions	8,635	6,855
Directors' expenses and allowances	2,838	2,680
Short term employee performance award	14,119	16,277
Donations	253	366
Unrealised foreign exchange losses	23,463	8,405
Staff medical and welfare expenses	3,972	3,924
And after crediting		
Interest on bank deposits	(436)	(230)

¹Included in other administration costs in Note 9.

15. TAXATION

The current income tax liability is provided for in the financial statements based on the financial results included therein adjusted in accordance with the provisions of the Income Tax Act (Cap 340) of Uganda less any tax credits and withholding tax recoverable.

a) Income tax expense

	2022 Ushs million	2021 Ushs million
Amounts recognized in profit or loss		
Current income tax charge for the year	62,129	33,222
Current income tax charge – prior years under provision	2,004	2
Deferred tax charge for the year	4,503	26,009
Deferred tax charge – prior years over provision	(1,978)	(4,397)
	66,658	54,836

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The effective tax rate is 31.02% (2021: 28.27%). The reconciliation between the income tax expense and the product of accounting profit and the tax rate is as follows:

	2022 Ushs million	2021 Ushs million
Accounting profit before income tax	214,873	193,977
At statutory income tax rate of 30%	64,462	58,193
Tax effect of:		
<i>Expenses not allowable for tax purposes</i>		
Non qualifying depreciation	552	916
Staff welfare	28	12
Other non deductible expenses	1,590	110
Current income tax – prior years	2,004	2
Deferred tax charge – prior years	(1,978)	(4,397)
Income tax expense charged to profit or loss	66,658	54,836

b) Current income tax payable/(recoverable)

	2022 Ushs million	2021 Ushs million
At 1 January	(13,942)	(41,137)
Current income tax charge for the year	62,129	33,222
Prior year under provision	2,004	2
Under provision penalty	4,795	-
Payment of current income tax	(20,036)	(6,029)
At 31 December	34,950	(13,942)

c) Deferred tax liability

Deferred tax is calculated on all temporary differences using the liability method at the applicable rate of 30%. The net deferred tax liability is attributed to the following:

	Closing balance Ushs million	Movement for the year		Opening balance Ushs million
		Profit or loss Ushs million	Prior year Ushs million	
At 31 December 2022				
<i>Deferred tax liabilities / (assets)</i>				
Accelerated tax depreciation	261,177	7,295	-	253,882
Provision for bad debts	(11,029)	(165)	(38)	(10,826)
Other provisions	(3,394)	1,696	(1,503)	(3,587)
Unrealised foreign exchange gains	(7,304)	(4,323)	(437)	(2,544)
Net deferred tax liability	239,450	4,503	(1,978)	236,925

	Closing balance Ushs million	Movement for the year		opening balance Ushs million
		Profit or loss Ushs million	Prior year Ushs million	
At 31 December 2021				
<i>Deferred tax liabilities / (assets)</i>				
Accelerated tax depreciation	253,882	12,583	96	241,203
Provision for bad debts	(10,826)	2,763	394	(13,983)
Other provisions	(3,587)	5,010	(4,886)	(3,711)
Unrealised foreign exchange gains	(2,544)	1,077	(1)	(3,620)
Tax losses	-	4,576	-	(4,576)
Net deferred tax liability	236,925	26,009	(4,397)	215,313

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

16. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2022 Ushs million	2021 Ushs million
Profit attributable to ordinary equity holders (Ushs million)	148,215	139,141
Basic number of ordinary shares (million) [Note 24]	1,624	1,624
Diluting shares (million)	-	-
Basic and diluted weighted average number of ordinary shares (millions)	1,624	1,624
Basic and diluted earnings per share (Ushs)	91.3	85.7

17. INTANGIBLE ASSETS

	GoU support and assurances rights Ushs million	Other concession rights Ushs million	Total Ushs million
Cost			
At 1 January 2021	3,556	1,540,233	1,543,789
Additions	-	122,502	122,502
Write offs	-	(11,548)	(11,548)
Transfer to financial asset (Note 18)	-	(84,054)	(84,054)
Translation differences	(99)	(42,992)	(43,091)
At 31 December 2021	3,457	1,524,141	1,527,598
Additions	-	110,656	110,656
Write offs	-	(788)	(788)
Transfer to financial asset (Note 18)	-	149,365	149,365
Translation differences	165	74,368	74,533
At 31 December 2022	3,622	1,857,742	1,861,364
Amortisation			
At 1 January 2021	(2,544)	(753,580)	(756,124)
Charge for the year	(123)	(158,474)	(158,597)
Write offs	-	5,170	5,170
Translation differences	58	22,753	22,811
At 31 December 2021	(2,609)	(884,131)	(886,740)
Charge for the year	(123)	(159,829)	(159,952)
Write offs	-	645	645
Translation differences	(143)	(43,178)	(43,321)
At 31 December 2022	(2,875)	(1,086,493)	(1,089,368)
Net carrying amount			
At 31 December 2022	747	771,249	771,996
At 31 December 2021	848	640,010	640,858

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

GOU support and assurance rights

The Distribution Support Agreement of the Lease and Assignment Agreement between Government of Uganda (GoU) and the Company required Umeme to pay a transaction fee of USD 1.4 million to the GoU Privatization Unit as consideration for the rights and assurances granted by GoU to Umeme. These rights and assurances are specified in Article IV of the Distribution Support Agreement and include, among others, support for obligations, security protection, obtaining of agency loans, expeditious clearance of imported equipment and notice and opportunity to be heard. The transaction fees were capitalized and are amortized over the lease period of 20 years.

Other concession rights

The concession agreements do not convey to the Company the right to control the use of the assets added to the Distribution Network but rather the right to operate and use the assets and charge customers. Accordingly, in line with IFRIC 12, the assets added to the Distribution Network are not recognised as the Company's property, plant and equipment. An intangible asset equal to the carrying amount of the assets added to the Distribution Network by the Company, less the residual amount (buy-out amount), is recognised and is amortised over the useful lives of the underlying property, plant and equipment.

Capitalised borrowing costs

Funding used to construct qualifying assets is financed out of borrowings. The capitalisation rate applied is the weighted average of the borrowings costs applicable to qualifying capital expenditure. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 0% (2021: 2.6%) and the amount of borrowing costs capitalised during the year ended 31 December 2022 was nil (2021: Ushs 2,253 million).

Collateral for borrowings

The Company's rights, title and interest under the intangible assets are pledged as collateral for the borrowing facilities as disclosed in Note 27.

18. OTHER FINANCIAL ASSET: BUY OUT AMOUNT

	2022 Ushs million	2021 Ushs million
At 1 January	1,088,511	1,016,856
Transfer from intangible assets (Note 17)	(149,365)	84,054
Finance income accrued	19,044	16,639
Translation differences	51,082	(29,038)
	1,009,272	1,088,511
Expected credit losses	(356)	(356)
	1,008,916	1,088,155

The movement in expected credit losses was as follows:

	2022 Ushs million	2021 Ushs million
At 1 January	356	356
Increase for the year	-	-
Translation differences	-	-
At 31 December	356	356

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The buy out amount is computed as the gross accumulated capital investments less the cumulative capital recovery charges expected to be allowed in the tariffs by the time of transferring the Distribution Network to UEDCL and discounted over the remaining concession period using the pre tax return on investment of 28.6% (2021: 28.6%), for investments verified and approved by ERA, and 5.02% (2021: 5.02%) for investments not approved by ERA for recovery through the tariff methodology. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The buy out amount is contractually denominated in USD. The USD balance has been translated to Ushs at the reporting date spot exchange rate of Ushs 3,718.63 (2021: 3,549.30).

As at 31 December 2022, the estimated weighted average depreciation rate was 10.23 % (2021: 10.23%) and it is hence estimated that capital investments amounting to Ushs 1,009,272 million or USD 271 million, as of that date (2021: Ushs 1,088,155 million or USD 307 million) will not have been recovered through the tariff methodology by the end of the concession.

The buyout amount shall be paid in cash with a 5% return and hence the amounts receivable are accounted for as a financial asset. The Company's rights, title and interest under the buy out amount are pledged as collateral for the term borrowing facilities as disclosed in Note 27.

Umeme's right to payment of a buy-out amount on termination of the concession is set out in the Support Agreement dated 17 May 2004 between the Government of Uganda and Umeme Limited, as amended. The payment by the GoU to Umeme of the Buy Out Amount is a precondition to the retransfer by Umeme of the Distribution System back to UEDCL at the end of the concession term.

Section 12.2(b) of the GoU Support Agreement (Payment of Buyout Amount) requires Umeme to deliver to the GoU, not later than 90 days prior to the end of the term of the concession, a statement of the Company's estimate of the buy out Amount payable in reasonable detail and with supporting documents providing the basis for the Company's determination of the Buy Out Amount. Umeme's statement of the Buy Out Amount, which it has delivered to the GoU, is subject to audit by the GoU, whose cost shall be borne equally by Umeme and the GoU.

Until such time as the buy out Amount is paid by GoU to Umeme and the Distribution System transferred back to UEDCL, GoU is obliged to pay interest on the buy out amount equal to 10% per annum, for the period 30 days to 45 days after the concession termination date, increasing to 15 % per annum for the period from 46 days to 90 days after the concession termination date, and then 20 % per annum, after 90 days until the buy out amount is ultimately paid in full by the GoU (Section 12.2(e) of the GoU Support Agreement).

The carrying amount of the unrecovered capital investments as of year-end were as follows:

	2022		2021	
	Ushs million	USD million	Ushs million	USD Million
Gross investments ¹	2,956,311	795	2,715,215	765
Less: Cumulative capital recoveries	(1,442,828)	(388)	(1,178,168)	(332)
Unrecovered investments	1,513,483	407	1,537,047	433
The gross investments comprise:				
Total investments in the ERA tariff base ²	2,037,809	548	1,803,045	508
Total investments not yet approved by ERA	918,502	247	912,170	257
	2,956,311	795	2,715,215	765
The investments not yet approved by ERA are represented by:				
Completed projects undergoing ERA verification	870,160	234	862,480	243
Capital work-in-progress	48,342	13	49,690	14
	918,502	247	912,170	257

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

¹Includes capital work-in-progress.

²The amount of the investments in the ERA tariff base changes as more investments are verified and approved by ERA.

Whilst it is expected that all investment will be recovered, the directors apply judgement in determining the quantum of the investments that will be recovered through mechanisms that allow for payment of a return on investment or mechanisms that don't allow for payment of a return on investment like allowing for recovery of investments through additional operational expenditure in future tariff determinations.

The table below includes Umeme's capital investments over the period 2005 to 2022. The amounts presented below are at the historical average Ushs:USD exchange rates while the amounts presented in the statement of financial position are at the closing Ushs:USD exchange rates.

	2005-2015	2016	2017	2018	2019	2020	2021	2022	Total
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
In Ushs									
Substations, low voltage lines & services	981,149	314,558	229,999	226,830	100,143	272,067	103,008	101,790	2,329,544
Land and buildings	12,124	1,309	470	123	46	188	664	2,511	17,435
Furniture, fittings, tools & office equipment	14,466	1,730	2,408	2,794	3,228	3,245	4,444	3,431	35,746
Computers, communication & MIS	34,942	117	3,504	837	1,348	2,506	13,603	1,620	58,477
Motor vehicles	20,973	83	47	16	52	738	1,254	1,304	24,467
Total investments	1,063,654	317,797	236,428	230,600	104,817	278,744	122,973	110,656	2,465,669
Represented by:									
Completed and capitalised	1,009,833	273,114	238,559	213,696	147,478	309,339	121,556	106,182	2,419,757
Capital work-in-progress	53,821	44,683	(2,131)	16,904	(42,661)	(30,595)	1,417	4,474	45,912
	1,063,654	317,797	236,428	230,600	104,817	278,744	122,973	110,656	2,465,669
In USD million									
Average foreign exchange rate (Ushs:USD)	2,601	3,423	3,616	3,732	3,709	3,724	3,593	3,695	
Total investments in USD million	409	93	65	62	28	74	34	30	796

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

19. CONCESSION FINANCIAL ASSET

	2022 Ushs million	2021 Ushs million
At 1 January	322,734	329,283
Finance income for the year	1,977	2,605
Foreign exchange loss	15,410	(9,154)
At 31 December	340,121	322,734
Maturity analysis of the financial asset:		
Outstanding financial asset	340,121	322,734
Less: Amount recoverable within one year	-	-
Non-current portion of financial asset	340,121	322,734
The financial asset is recoverable as analysed below:		
Within one year	-	
Between one and two years	340,121	313,009
Between two and three years	-	9,725
Between three and four years	-	-
After five years	-	-
	340,121	322,734

The terms of the Lease and Assignment Agreement (LAA) stipulate that the Company has an unconditional right to receive from the users of the Distribution Network, through the tariff methodology, cash relating to the concession rental payments made to UEDCL.

No concession rental payments were made to UEDCL regarding the concession obligation since the year ended 31 December 2012 and no recoveries of the same were made during these years since ERA excluded the concession rental payments from the tariffs for the years.

UEDCL bears the risk that the cash flows generated by the users of the Distribution Network using the tariffs approved by ERA will not be sufficient to recover the concession rental amounts due to UEDCL. The Company's cash flows relating to the rentals paid are effectively secured, which results in a financial asset as the consideration receivable. The service concession arrangement is subject to a grantor (UEDCL) guarantee and payments made by the users are effectively regarded as cash collected on behalf of the grantor and this gives rise to a financial asset for the commitment made by the grantor.

No amount receivable within one year has been presented since the debt service component was not included in the approved base tariffs for the subsequent year.

Refer to Note 28 for further disclosures.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

20. INVENTORIES

	2022	2021
	Ushs million	Ushs million
Overhead materials and accessories	22,345	39,376
Underground cables, materials and accessories	9,129	8,976
Substation transformers and accessories	12,922	13,800
Meters, metering equipment and accessories	18,348	32,295
Tools and other equipment	7,534	5,927
Stationery	1,104	1,036
	71,382	101,410
Provision for obsolescence	(5,225)	(1,107)
	66,157	100,303
Provision for obsolescence		
At 1 January	1,107	361
Inventory write off	-	-
Increase in provision	4,118	746
At 31 December	5,225	1,107

Inventories comprise mainly network equipment and accessories like transformers, cables, switch-gear, poles, meters and accessories used in construction or maintenance of the Distribution Network.

Inventories expensed during the year under cost of sales amounted to Ushs 82,224 million (2021: Ushs 34,949 million) while Ushs 29,312 million (2021: Ushs 40,250 million) was expensed under repairs and maintenance expenses. Ushs 2,383 (2021: Ushs 23,102) was held under inventory in relation to KfW and AfDB projects pending customer connections.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

21. CONTRACT ASSETS

	2022 Ushs million	2021 Ushs million
a) Amounts recoverable from customer capital contributions		
At 1 January	8,192	7,104
Additions to customer installations	91,699	49,431
Completed customer installations	(89,457)	(48,131)
Translation differences	(37)	(212)
At 31 December	10,397	8,192
b) ECP costs not yet verified		
At 1 January	31,184	84,329
Costs incurred during the year	-	1,757
Less: Billed during the year	-	(50,204)
Excess costs above the standard billing rate	-	(3,011)
Translation differences	1,462	(1,687)
At 31 December	32,646	31,184
Expected credit losses	(833)	(820)
	31,813	30,364
Expected credit losses		
At 1 January	820	-
Increase in provision	-	820
Translation difference	13	-
At 31 December	833	820
Total contract assets		
At 31 December	42,210	38,556
At 1 January	38,556	91,433

Amounts recoverable from customer capital contributions relate to the costs incurred by the Company on commercial schemes in excess of the capital contributions made by the customers. The Company has contractual and legal rights to recover the excess costs from the customers.

The ECP amounts not yet verified relate to costs incurred by the Company on no-pole and one-pole connections for which verification by the IVA had not been completed by year-end. The amount relates to costs incurred on connections not completed or connections pending verification and clearance by the IVA. After verification and clearance by the IVA, the amounts are billed to and reimbursed by REA. The ECP project commenced in November 2018. The project was suspended from 29th July 2020 because of a realignment of priorities and financial resources by the Government, in part brought about by the unexpected Covid-19 pandemic. Effective from 9th December 2020, the ECP project was amended by ERA to allow willing and able customers to pay for the connections.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

22. TRADE AND OTHER RECEIVABLES

	31 December		1 January
	2022	2021	2021
	Ushs million	Ushs million	Ushs million
Trade receivables	257,195	230,786	225,162
Less: Allowance for expected credit losses	(34,925)	(32,867)	(45,072)
Net trade receivables	222,270	197,919	180,090
Letters of credit	-	-	-
Other receivables ¹	24,234	3,500	2,157
Ministry of Energy – Peri Urban Development project	2,012	2,300	2,365
REA – ECP receivables	29,727	33,651	33,883
Customs tax advance	2,105	2,009	-
Less: Allowance for expected credit losses	(1,004)	(958)	(93)
	57,074	40,502	38,312
Trade and other receivables	279,344	238,421	218,402

Other receivables comprise of staff salary advances and work accountable advances. Trade receivables are non-interest bearing and are generally on 14-30 days' terms. The carrying amount of trade and other receivables approximate their fair values due to the short-term nature of the financial assets.

The movement in the expected credit losses on trade receivables was as follows:

	2022	2021
	Ushs million	Ushs million
At 1 January	32,867	45,072
Allowance for ECLs for the year	488	-
Reclassification of ECLs relating to other receivables	-	(1,685)
Less: Bad debts written off ²	-	(9,304)
Translation differences	1,570	(1,216)
At 31 December	34,925	32,867
² Bad debts written off are made up as follows:		
Pre-concession trade receivables	-	-
Trade receivables relating to the concession period	-	9,304
	-	9,304

¹Included in other receivables for 2022 is the amount due from contractors amounting to Ushs 19,231 for materials issued for KFW connections not completed as of year-end.

²Bad debts are written off after the Company's debt collectors have performed the debt collection procedures and processes as agreed upon with URA and certifying that the chances of recovering the debts are remote. As at 31 December, the ageing analysis of trade receivables was as follows:

Year	Total	<30 days	30-60 days	60 – 90 days	>90(default)
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
2022	257,195	140,002	26,152	56,116	34,925
2021	230,786	114,814	23,930	59,175	32,867
2020	225,162	111,746	23,295	45,049	45,072

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Expected credit losses on other receivables	REA - OBA/ ECP receivables	Peri-Urban/Other Receivables	Customer Capital contributions receivable	Total
	Ushs million	Ushs million	Ushs million	Ushs million
At 1 January	-	73	20	93
Increase for the year ¹	863	4	(2)	865
At 31 December 2021	863	77	18	958
Increase/(Decrease) for the year	19	(10)	(9)	-
Translation differences	46	-	-	46
At 31 December 2022	928	67	9	1,004

¹ Expected credit losses between ECP receivables and Peri-Urban/other receivables for the period ended 31 December 2021 have been correctly classified.

The changes in expected credit losses are under Note 10.

Peri-urban development receivable

This relates to funds received from Development Fund Institutions (DFIs) through Ministry of Energy and Mineral Development (MEMD) for providing electricity access to customers that are within range of the electricity grid but do not have access. The following were the amounts utilized but not yet received from MEMD as at year-end:

	2022 Ushs million	2021 Ushs million
At 1 January	2,300	2,365
Additions	-	-
Translation differences	(288)	(65)
At 31 December	2,012	2,300

23. BANK BALANCES

	2022 Ushs million	2021 Ushs million
Bank balances	46,098	50,236

The Company holds no collateral in respect to the bank balances. Bank balances are short-term deposits made for varying periods depending on the cash requirements of the Company and earn interest at the applicable bank deposits market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

24. ISSUED CAPITAL

a) Number of shares	2022	2021
i) Authorised ordinary shares		
At 1 January and 31 December	1,800,000,000	1,800,000,000
ii) Number of issued ordinary shares		
At 1 January and 31 December	1,623,878,005	1,623,878,005
b) Par value of ordinary shares		
At 1 January and 31 December per share (Ushs per share)	17.088	17.088
c) Value of issued shares		
	2022	2021
	Ushs million	Ushs million
Nominal value of shares at 1 January and 31 December	27,748	27,748

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the Company's general meetings.

d) Spread of issued shares

Number of shares	Number of	Number of	Percentage
At 31 December 2022	shareholders	shares held	shareholding
Less than 500	1,078	241,619	0.01%
500 - 5,000	3,080	5,794,647	0.36%
5,001 - 10,000	619	4,814,879	0.30%
10,001 - 100,000	1,082	32,190,838	1.98%
100,001 - 1,000,000	320	97,178,820	5.98%
Above 1,000,000	84	1,483,657,202	91.37%
	6,263	1,623,878,005	100.00%

Number of shares	Number of	Number of	Percentage
At 31 December 2021	Shareholders	shares held	shareholding
Less than 500	874	173,030	0.01%
500 - 5,000	3,072	5,694,812	0.35%
5,001 - 10,000	625	4,888,192	0.30%
10,001 - 100,000	1,046	30,976,350	1.91%
100,001 - 1,000,000	374	94,535,224	5.82%
Above 1,000,000	76	1,487,610,397	91.61%
	6,067	1,623,878,005	100.00%

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

e) Shareholding

Name	31 December 2022		31 December 2021	
	Number of shares	Percentage shareholding	Number of shares	Percentage shareholding
1 National Social Security Fund	378,933,288	23.34%	378,933,288	23.34%
2 Allan Gray	240,654,523	14.82%	240,654,523	14.82%
3 Kimberlite Frontier Africa Master Fund	144,564,483	8.90%	144,564,483	8.90%
4 Utilico Emerging Markets Limited	135,900,000	8.37%	135,900,000	8.37%
5 Coronation Global Opportunities Fund	126,759,671	7.81%	114,157,171	7.03%
6 Bnymsanv re bnymlb	68,073,885	4.19%	85,691,227	5.28%
7 International Finance Corporation	45,220,900	2.78%	45,220,900	2.78%
8 Kilimanjaro Frontier Africa Fund	45,100,000	2.78%	16,000,000	0.99%
9 Conrad and Hilton Foundation	31,327,420	1.93%	31,327,420	1.93%
10 Vanderbilt University	30,867,324	1.90%	30,867,324	1.90%
11 Others	376,476,511	23.18%	400,561,669	24.67%
	1,623,878,005	100.00%	1,623,878,005	100.00%

25. SHARE PREMIUM

At 1 January and 31 December

2022	2021
Ushs million	Ushs million
70,292	70,292

26. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED

	2022		2021	
	Dividend per share Ushs	Total Ushs million	Dividend per share Ushs	Total Ushs million
Dividend paid				
Final dividend	54.1	87,814	12.2	19,811
	54.1	87,814	12.2	19,811
Dividend proposed				
Final dividend	63.9	103,751	54.1	87,814
	63.9	103,751	54.1	87,814

The Company is required to withhold tax on the dividend payments in accordance with the tax laws of Uganda and remit the amounts withheld to Uganda Revenue Authority.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

27. BORROWINGS

	2022 Ushs million	2021 Ushs million
Long term facilities – Facilities A and B	92,025	175,790
Long term facilities – Facilities C and D	86,700	165,621
Short term facilities	-	-
Less: Deferred transaction costs	(2,094)	(4,806)
	176,631	336,605
Less: Current portion - amount due within one year		
Facilities A and B	(90,935)	(87,955)
Facilities C and D	(85,696)	(82,819)
Amounts due within one year	(176,631)	(170,774)
	-	165,831

Amounts due in more than one year

a) Long term facilities

	2022 Ushs million			2021 Ushs million		
	Facility A	Facility B	Total	Facility A	Facility B	Total
At 1 January	85,063	90,727	175,790	131,313	139,947	271,260
Interest charge for the year	5,040	5,380	10,420	6,259	6,672	12,931
Translation differences	4,345	4,632	8,977	(3,670)	(3,913)	(7,583)
Less: Principal repayment	(44,874)	(47,749)	(92,623)	(42,649)	(45,381)	(88,030)
Less: Interest payment	(5,099)	(5,440)	(10,539)	(6,190)	(6,598)	(12,788)
At 31 December	44,475	47,550	92,025	85,063	90,727	175,790

The amounts due are made up as follows:

Principal due after one year	-	-	-	42,450	45,385	87,835
Principal due in one year	44,475	47,550	92,025	42,613	45,342	87,955
	44,475	47,550	92,025	85,063	90,727	175,790

	2022 Ushs million			2021 Ushs million		
	Facility C	Facility D	Total	Facility C	Facility D	Total
At 1 January	89,911	75,710	165,621	138,716	116,814	255,530
Interest charge for the year	5,332	4,489	9,821	6,611	5,569	12,180
Translation differences	4,589	3,865	8,454	(3,871)	(3,267)	(7,138)
Less: Principal repayment	(47,353)	(39,914)	(87,267)	(45,005)	(37,899)	(82,904)
Less: Interest payment	(5,390)	(4,539)	(9,929)	(6,540)	(5,507)	(12,047)
At 31 December	47,089	39,611	86,700	89,911	75,710	165,621

The amounts due are made up as follows:

Principal due after one year	-	-	-	44,952	37,850	82,802
Principal due in one year	47,089	39,611	86,700	44,959	37,860	82,819
	47,089	39,611	86,700	89,911	75,710	165,621

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

b). Deferred transaction costs

Long term facilities

	2022			2021		
	Ushs million			Ushs million		
	Facility A	Facility B	Total	Facility A	Facility B	Total
At 1 January	717	1,033	1,750	1,300	1,851	3,151
Management, security and agency fees	66	66	132	-	-	-
Amortisation for the year	(362)	(510)	(872)	(553)	(776)	(1,329)
Translation differences	33	47	80	(30)	(42)	(72)
At December	454	636	1,090	717	1,033	1,750

	2022			2021		
	Ushs million			Ushs million		
	Facility C	Facility D	Total	Facility C	Facility D	Total
At 1 January	1,778	1,278	3,056	3,658	2,877	6,535
Management, security and agency fees	-	-	-	-	-	-
Amortisation for the year	(1,179)	(1,005)	(2,184)	(1,799)	(1,538)	(3,337)
Translation differences	78	54	132	(81)	(61)	(142)
At December	677	327	1,004	1,778	1,278	3,056

Term and revolving credit facility agreement

The Company has a Term and Revolving Credit Facilities Agreement (the “**facilities agreement**”) with International Finance Corporation (IFC), Standard Chartered Bank and Stanbic Bank Uganda Limited as the mandated lead arrangers. Standard Chartered Bank is the overdraft issuer, security agent and the facility agent.

A total amount of USD 235 million was initially committed in 2013. USD 90 million was designated as term Facility A provided by IFC and USD 125 million as term Facility B provided by Stanbic Bank Uganda Limited and Standard Chartered Bank. USD 15 million and USD 5 million were designated as revolving credit facilities with Standard Chartered Bank and Stanbic Bank Uganda Limited, respectively.

On 9 December 2019, the facilities agreement was restated and amended as follows:

By committing the following additional term facilities and extending the revolving credit facilities for financing working capital and capital expenditure:

	USD
Term facilities	
IFC - Facility C “A”	28,000,000
IFC - Facility C “B1”	10,000,000
Standard Chartered Bank – Facility D	16,000,000
Stanbic Bank – Facility D	16,000,000
	<u>70,000,000</u>
Revolving credit facilities	
Standard Chartered Bank	15,000,000
Stanbic Bank	5,000,000
	<u>20,000,000</u>
Total amount committed by the lenders	<u>90,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

If Umeme procured the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date (31 December 2020), Umeme shall repay the aggregate Facility C and Facility D loans in semi-annual, that is, on 30 June and 31 December, instalments of 12.5% of the drawn down amount, starting 30 June 2021.

The Company had not procured the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date, Umeme therefore shall repay the aggregate Facility C and Facility D loans in semi-annual, that is, on 30 June and 31 December, instalments of 16.67% of the drawn down amount, starting 30 June 2021, but with the last instalment being 16.65%. As the Concession Renewal Longstop Date was not procured by year-end, these repayment terms will be applicable after the reporting period, unless if otherwise amended.

1. Modifying the repayment terms for the outstanding Facility A amounts to semi-annual, that is, on 30 June and 31 December, repayments of 6.67% of the drawn down amount but with the final instalment being 6.62%. Before the amendment of the borrowing agreement, Facility A was repayable in 15 semi-annual instalments of 6.7% of the total facility drawn down at the end of the availability period and 6.62% on the termination date (November 2023).
2. Modifying the repayment terms for the outstanding Facility B amounts to semi-annual repayments of 5.11% of the drawn down amount on 30 June and 31 December but with the final instalment being 5.12%. Before the amendment of the borrowing agreement, Facility B was repayable in 9 semi-annual instalments of 9% of the total facility drawn down at the end of the availability period and 28% on the termination date (November 2020).
3. These terms include Umeme acknowledging that it may not declare, make or pay any dividend, charge, fee or other distribution unless it has:
 - Demonstrated that the Capex Funding Ratio is equal to, or is greater than, 2.0:1, that is, USD 140 million;
 - The Debt Service Accrual Account (DSAA), into which semi-annual interest expense and amortised principal repayment must be deposited before the next interest payment date, has been funded in accordance the Facilities Agreement prior to declaration of dividends.
 - Satisfied other relevant provision of the Facilities Agreement.

The Company opened the DSAA on 6 December 2021 and was funded with USD 7.2 million by 31 December 2022 to satisfy provisions pursuant to declaration of a final dividend of USD 23.4 million. The Capex Funding Ratio as of 2021 and 2022 was 2.12:1.

Facilities A, B, C and D attract interest at LIBOR (applicable screen rate) plus a margin of 5% per annum. The revolving credit facilities other than those denominated in Ushs attract interest at LIBOR plus 7.8% per annum while the interest rates for those denominated in Ushs is the Uganda Government 182 days treasury bill rate plus 5.2% per annum. The Company's management will engage the lenders to agree the basis for the interest rates if and when LIBOR is discontinued. No significant changes in the Company's cost of borrowing is expected to arise from this.

NOTES TO THE FINANCIAL STATEMENTS

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The following were the applicable annual interest rates:

	2022	2021
Long term facilities		
Facility A	6.62%	5.21%
Facility B	6.62%	5.21%
Facility C	6.62%	5.21%
Facility D - Standard Chartered Bank	6.62%	5.21%
Facility D - Stanbic Bank	6.62%	5.21%
Revolving credit facilities		
Ushs	15.38%	14.77%
USD	10.07%	7.95%

The term and revolving credit facilities are secured against a first ranking fixed charge on all the Company's rights, title and interest from time to time and all related rights; and all contracts of insurance in respect of the Mandatory Insurances in which the Company has an interest and all moneys from time to time payable thereunder, and related rights.

The movement in the long-term facilities in USD was as follows:

	2022 USD'000			2021 USD'000		
	Facility A	Facility B	Total	Facility A	Facility B	Total
At 1 January	23,966	25,562	49,528	35,972	38,337	74,309
Interest accrued	1,364	1,456	2,820	1,742	1,857	3,599
Principal repayments	(12,006)	(12,775)	(24,781)	(12,006)	(12,775)	(24,781)
Interest repayments	(1,364)	(1,456)	(2,820)	(1,742)	(1,857)	(3,599)
At December	11,960	12,787	24,747	23,966	25,562	49,528

	2022 USD'000			2021 USD'000		
	Facility C	Facility D	Total	Facility C	Facility D	Total
At 1 January	25,332	21,331	46,663	38,000	32,000	70,000
Drawdown	-	-	-	-	-	-
Interest accrued	1,443	1,215	2,658	1,841	1,550	3,391
Principal repayments	(12,669)	(10,679)	(23,348)	(12,668)	(10,669)	(23,337)
Interest repayments	(1,443)	(1,215)	(2,658)	(1,841)	(1,550)	(3,391)
At December	12,663	10,652	23,315	25,332	21,331	46,663

As at year-end, the Company was compliant with the five ratios and covenants specified in the facilities agreement as disclosed in note 43.

Other permitted financial indebtedness – Stanbic Bank Uganda Limited

The Company held overdraft facilities with Stanbic Bank Uganda Limited of USD 20 million as per the provisions in the facilities agreement on permitted financial indebtedness.

The Stanbic Bank Uganda Limited facility attracts interest at the GOU 182 Treasury Bill rate plus a margin of 3.5% per annum for amounts drawn in Ushs or the 3 months LIBOR plus a margin of 3.5% for amounts drawn down in USD. The applicable interest rate for the Stanbic Bank Uganda Limited Ushs facilities was 13.18% (2021: 13.70%) and for the USD facilities was 4.821% (2021: 3.657%). The overdraft facilities are secured against a second ranking fixed charge on all the Company's rights, title and interest from time to time and all related rights; and all contracts of insurance in respect of the mandatory Insurances in which the Company has an interest and all moneys from time to time payable thereunder, and related rights.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash flow impact of borrowings

The impact of the borrowings on the cash flows for the year was as follows:

	Term loans Ushs million	Short term facilities Ushs million	Deferred transaction costs Ushs million	Total Ushs million
At 1 January 2022	341,411	-	(4,806)	336,605
Changes from financing cash flows				
Principal repayments	(179,890)	-	-	(179,890)
Total changes from financing cash flows	(179,890)			(179,890)
Changes from operating cash flows				
Interest repayments	(20,468)	-	-	(20,468)
Transaction costs paid	-	-	(132)	(132)
Total changes from operating cash flows	(20,468)		(132)	(20,600)
Other changes				
Interest charge	20,241	-	-	20,241
Amortisation of deferred transaction costs	-	-	3,056	3,056
Translation differences	17,431	-	(212)	17,219
Total other changes	37,672		2,844	40,516
At 31 December 2022	178,725	-	(2,094)	176,631

	Term loans Ushs million	Short term facilities Ushs million	Deferred transaction costs Ushs million	Total Ushs million
At 1 January 2021	526,790	-	(9,686)	517,104
Changes from financing cash flows				
Principal repayments				
Proceeds from borrowings	(170,934)	-	-	(170,934)
Total changes from financing cash flows	(170,934)	-	-	(170,934)
Changes from operating cash flows				
Interest payments	(24,835)	-	-	(24,835)
Transaction costs paid	-	-	-	-
Total changes from operating cash flows	(24,835)	-	-	(24,835)
Other changes				
Interest charge	25,111	-	-	25,111
Amortisation of deferred transaction costs	-	-	4,666	4,666
Translation differences	(14,721)	-	214	(14,507)
Total other changes	10,390	-	4,880	15,270
At 31 December 2021	341,411	-	(4,806)	336,605

The following were the undrawn approved borrowing facilities as at year-end:

	2022 Ushs million	2021 Ushs million
Revolving credit facilities		
Standard Chartered Bank Uganda Limited	34,137	53,240
Stanbic Bank Uganda Limited	5,166	21,562
Total approved undrawn facilities	39,303	74,802

NOTES TO THE FINANCIAL STATEMENTS

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28. CONCESSION FINANCIAL OBLIGATION

	2022 Ushs million	2021 Ushs million
At January	322,734	329,283
Financing expense for the year	1,977	2,605
Foreign exchange gains	15,410	(9,154)
At 31 December	340,121	322,734
Maturity analysis of the concession obligation:		
Outstanding obligation	340,121	322,734
Less: Due within one year		-
Non-current portion of the obligation	340,121	322,734
The concession obligation is due as analysed below:		
Within one year		
Between one and two years	340,121	313,009
Between two and three years	-	9,725
Between three and four years	-	-
Between four and five years	-	-
After five years	-	-
	340,121	322,734

On 1 March 2005, the Company took over the operation of the electricity power distribution network that was being operated by UEDCL under a 20-year concession arrangement. The present value of the obligation arising from the rental payments under the concession agreements at the commencement of the concession was estimated to be USD 133 million (Ushs 485 billion at the current year-end foreign exchange rate) using a discounting rate of 8.911%. Interest is accrued annually to determine the amortised cost amount of the concession obligation as at year-end. The corresponding amount is recognised as a financial asset as disclosed in Note 19.

No amount payable within one year has been presented since the debt service component was not included in the approved base tariffs for the subsequent year.

29. LONG TERM INCENTIVE PLAN LIABILITY

This relates to the provision for the long term incentive plan as follows:

	2022 Ushs million	2021 Ushs million
At 1 January	-	58
Provision for the year	-	-
Payment	-	-
Unutilised provision	-	(58)
Foreign exchange (gains)/losses	-	-
At 31 December	-	-

Participation in the LTIP3 was offered to eligible employees in the middle and senior management grades. The cash award that a Participant may receive is dependent on the Company achieving minimum financial performance targets in terms of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) over the three years ending 31 December 2022. After the Vesting Date, the Participant will receive the cash award (after deduction of any applicable taxes which may be payable), provided that the Participant has fulfilled the service, and performance conditions that were specified.

As at end of 31 December 2022, no provision was made as the minimum performance conditions had not been met.

NOTES TO THE FINANCIAL STATEMENTS

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30. CUSTOMER SECURITY DEPOSITS

	2022	2021
	Ushs million	Ushs million
At 1 January	7	496
Amount received during the year	3	1
Amount refunded during the year	-	(489)
Translation differences	1	(1)
At 31 December	11	7

Customer security deposits relate to the amounts required to be paid by customers before they are connected to the Distribution Network. The deposits act as security for any unpaid bills in case of termination of the energy supply agreement. The supply agreement can be terminated at the customer's discretion or by the Company in case of non-payment of bills or other instances of non-compliance with the power supply agreement.

The deposits paid per customer vary depending on the energy consumption of the customer as follows:

	2022	2021
	Ushs million	Ushs million
Domestic customers	0.1	0.1
Commercial customers - ordinary	0.2	0.2
Commercial customers - commercial time of use	0.5	0.5
Industrial customers - ordinary	1	1
Industrial customers-heavy	2	2

ERA issued guidelines that require the Company to ring-fence the cash held in respect of customer security deposits from any other funds of the Company. The Company is required to invest the deposits in government securities or approved assets with similar risk profile. The Company shall pay to the customer an interest rate equivalent to the annualised rate on a 360-treasury bill as published by Bank of Uganda. The guidelines were effective from 1 January 2011. The Company accrued for the estimated interest payable on the security deposits for the year. There was no interest paid in relation to interest on customer security deposits during the year. (2021: Ushs 138 million).

31. CONTRACT LIABILITIES

		31 December		1 January
	Note	2022	2021	2021
		Ushs	Ushs	Ushs
		million	million	million
Deferred revenue on prepaid sales	(a)	4,641	11,279	6,892
Deferred construction income	(b)	10,762	3,741	4,986
Deferred capital fund – Growth factor revenue	(c)	29,329	-	108,334
Deferred capital fund – Non-network assets	(d)	692	1,771	1,482
Deferred capital fund – LED bulbs	(e)	-	-	336
Deferred capital fund – Skills development	(f)	152	146	150
Deferred capital fund – Customer rebates and meter testing	(g)	10,546	10,066	10,353
Advance payments by energy customers	(h)	34,736	27,085	7,334
AfDB Funding	(i)	930	2,563	-
		91,788	56,651	139,867

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(a) Deferred revenue on pre-paid sales

Prepaid sales relate to sales to the Government of Uganda Time of Use (GoU-TOU) arrangement and domestic customers through prepaid metering systems. The units paid for but not consumed by year-end are determined basing on the customers' consumption patterns.

As at 31 December 2021, GoU-TOU units valued at Ushs 491 million (2021: Ushs 7,042 million) had not been consumed while it was estimated that 7.6% of the pre-paid electricity tokens purchased by domestic customers in December 2021 had not been consumed (2021: 8.2%).

	2022			2021		
	GoU -TOU	Domestic customers	Total	GoU -TOU	Domestic customers	Total
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 1 January	7,042	4,237	11,279	5,366	1,526	6,892
Payments received	44,930	548,443	593,373	44,424	466,326	510,750
Amortised to revenue	(51,039)	(548,531)	(599,570)	(42,574)	(463,553)	(506,127)
Translation differences	(442)	1	(441)	(174)	(62)	(236)
At 31 December	491	4,150	4,641	7,042	4,237	11,279

The performance obligations relating to these contract liabilities are expected to be fulfilled in the subsequent reporting period.

(b) Deferred construction income

	2022	2021
	Ushs million	Ushs million
At 1 January	3,741	4,986
Amount received	60,363	45,259
Amount utilized (Note 6)	(52,790)	(46,569)
Translation differences	(552)	65
Unutilized customer contributions at 31 December	10,762	3,741
Unutilized customer contributions at 1 January	3,741	4,986

Deferred construction income relates to capital contributions from customers for new electricity service connections that are not yet utilised on asset construction works. The amounts paid by the customers for the construction expenses ('non-refundable capital contributions' or 'NRCC') are recognised as construction revenue when utilized.

The performance obligations relating to these contract liabilities are expected to be fulfilled in the subsequent reporting period.

(c) Deferred capital fund – Growth factor revenue

	2022	2021
	Ushs million	Ushs million
At 1 January	-	108,334
Amount collected during the year (Note 6)	-	-
Amount utilised to offset revenue shortfall during the year	30,000	(104,386)
Amount utilised	-	(1,866)
Translation difference	(671)	(2,082)
At 31 December	29,329	-

As indicated in Note 6(a), the amount as at year-end relates to the amount billed to and collected from customers for funding construction of additions to the Distribution Network as approved by ERA but not yet utilised. The performance obligations will be fulfilled when ERA approves the utilisation of the amounts.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(d) Deferred capital fund: Non-network assets

	2022 Ushs million	2021 Ushs million
At 1 January	1,771	1,482
Amount collected during the year (Note 6)	7,131	9,548
Regulatory claw-back	-	(16,288)
Reversal of utilised amounts	-	16,288
Amount utilised for purchasing non-network assets	(8,288)	(9,299)
Translation differences	78	40
At 31 December	692	1,771

The amount utilised was spent as follows:

	2022	2021
Furniture, fittings, tools and office equipment	424	787
Computers, communication equipment and Management Information System	2,660	4,032
Motor vehicles	5,204	4,480
	8,288	9,299

As indicated in note 6(b), the balance as at 31 December 2022 relates to the amount billed to and collected from customers for funding non-network assets but not yet utilized.

(e) Skills development

This relates to funds received for the Skills Development Program within the Electricity Sector.

	2022 Ushs million	2021 Ushs million
At 1 January	146	150
Translation differences	6	(4)
At 31 December	152	146

(f) Customer rebates and meter testing

This relates to the amounts collected from customers for use under the industrial rebates policy and meter testing but not yet utilised.

	2022			2021		
	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million
At 1 January	9,867	199	10,066	10,148	205	10,353
Amount collected	-	-	-	-	-	-
Amount utilised	-	-	-	-	-	-
Translation differences	470	10	480	(282)	(5)	(287)
At 31 December	10,337	209	10,546	9,866	200	10,066

(g) Advance payments by energy customers

This relates to payments received from post-paid customers in advance of consuming the electricity paid for.

	2022 Ushs million	2021 Ushs million
At 1 January	27,085	7,334
Amount received	68,500	66,288
Amortised to revenue	(60,656)	(45,506)
Translation difference	(193)	(1,031)
At 31 December	34,736	27,085

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(h) AfDB Funding

This relates to materials supplied by AfDB to facilitate no-pole connections.

	2022 Ushs million	2021 Ushs million
At 1 January	2,563	-
Amount received	34,467	19,248
Amortised to revenue	(35,766)	(16,240)
Translation difference	(334)	(445)
At 31 December	930	2,563

32. ACCRUED EXPENSES AND PROVISIONS

(a) Accrued expenses

	2022 Ushs million	2021 Ushs million
At 1 January	22,645	53,931
Accrual for the year	151,601	166,433
Utilizations	(157,259)	(197,290)
Translation differences	178	(429)
At 31 December	17,165	22,645

These include accruals for unvoiced capital expenditure, interest on customer security deposits and other general operating expenditure.

b) Provisions

	2021 Ushs million	2020 Ushs million
Provision for litigation		
At 1 January	841	1,311
Payments/Reversals	-	(432)
Translation differences	40	(38)
At 31 December	881	841

33. TRADE AND OTHER PAYABLES

	2022 Ushs million	2021 Ushs million
Trade payables	476,740	493,214
Other payables	42,430	42,677
Withholding tax payable	469	543
VAT payable	12,521	6,186
	532,160	542,620

Trade and other payables are non-interest bearing and normally settled on 30-60 days' terms. Trade payables include Ushs 413,301 million (2021: Ushs 428,013 million) due to UETCL. The balance of Ushs 63,439 million (2021: Ushs 65,201 million) is due to contractors and other service providers.

Other payables include short term employee performance award accrual of Ushs 14,132 million (2021: Ushs 15,463 million). Ushs 15,463 million was paid during the year (2021: Ushs 7,220 million).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

34. BANK OVERDRAFTS

	Note	2022 Ushs million	2021 Ushs million
Standard Chartered Bank (SCB)	(a)	40,061	45,690
Stanbic Bank Uganda Limited (SBU)	(a)	87,800	49,424
Total amount drawn down		127,861	95,114
Less: Deferred transaction costs	(b)	-	-
		127,861	95,114

(a) The movement in the bank overdraft facilities was as follows

	SCB Ushs million	SBU Ushs million	dfcu Ushs million	Total Ushs million
At 1 January 2022	45,690	49,424	-	95,114
Proceeds received	34,708	96,510	-	131,218
Interest accrued	1,325	1,223	-	2,548
Repayments - principal	(42,496)	(61,379)	-	(103,875)
Repayments - interest	(1,325)	(1,223)	-	(2,548)
Translation differences	2,159	3,245	-	5,404
At 31 December 2022	40,061	87,800	-	127,861
At 1 January 2020	37,610	36,600	7,925	82,135
Proceeds received	30,350	48,503	8,566	87,419
Interest accrued	2,724	2,896	1,311	6,931
Repayments - principal	(21,114)	(34,495)	(16,368)	(71,977)
Repayments - interest	(2,724)	(2,896)	(1,311)	(6,931)
Translation differences	(1,156)	(1,184)	(123)	(2,463)
At 31 December 2021	45,690	49,424	-	95,114

(b) Deferred transaction costs

	2022 Ushs million	2021 Ushs million
At 1 January	-	120
Amortisation for the year	-	(138)
Translation differences	-	18
At 31 December	-	-

As at 31 December 2022, the total amount drawn down in USD was USD 34 million (2021: USD 27 million) from Standard Chartered Bank Limited, Stanbic Bank Uganda Limited. The drawdowns were under the revolving credit facilities and permitted indebtedness as disclosed in Note 27.

35. CASH AND CASH EQUIVALENTS

	2022 Ushs million	2021 Ushs million
Bank balances (Note 23)	46,098	50,236
Bank overdrafts (Note 34)	(127,861)	(95,114)
Bank balances not available for use (Note 30)	(11)	(7)
	(81,774)	(44,885)

ERA issued guidelines that require the Company to ring-fence and invest the cash held in respect to customer security deposits from any other funds of the Company. The guidelines were effective from 1 January 2011. Bank balances representing the carrying amount of the customer security deposits are not available for use in the Company's operations.

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36. FINANCIAL INSTRUMENTS

The Company's financial instruments are categorised as follows:

Financial assets

	2022	2021
	Ushs million	Ushs million
Debt instruments at amortised cost		
Buy out amount	1,008,916	1,088,155
Concession financial asset	340,121	322,734
Non-current	1,349,037	1,410,889
Trade receivables	222,270	197,919
Other receivables	24,220	3,465
MEMD - Peri Urban Development project	1,950	2,241
REA – ECP	28,799	32,787
Trade and other receivables	277,239	236,412
Bank balances	46,098	50,236
Current	323,337	286,648
Total financial assets	1,672,374	1,697,537

Financial liabilities

	2022	2021
	Ushs million	Ushs million
Financial liabilities at amortised cost		
Borrowings	176,631	336,605
Concession obligation	340,121	322,734
Customer security deposits	11	7
Accrued expenses	17,165	22,645
Trade and other payables	505,051	519,615
Bank overdrafts	127,861	95,114
	1,166,840	1,296,720
Current	826,719	808,155
Non-current	340,121	488,565
	1,166,840	1,296,720

37. LETTERS OF CREDIT

As at 31 December 2022, the Company had letters of credit facilities with Standard Chartered Bank Uganda Limited (the "bank"). The letters of credit facilitate the purchase and importation of equipment and inventories for the repair, upgrading and expansion of the Distribution Network and related electricity distribution accessories. There are no balances deposited as cash cover under the letters of credit facilities as at 31 December 2022 (2021: Nil). The amounts deposited with the bank act as collateral for the active letters of credit to facilitate the purchase and importation of partially delivered goods.

As at 31 December 2022, the Company also had letters of credit with the bank amounting to Ushs 1,826 million (2021: Ushs 3,961 million) with no cash cover. These are covered by insurance and the goods under importation.

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38. RELATED PARTY DISCLOSURES

The Company does not have a controlling shareholder. The party with significant influence by virtue of its shareholding is National Social Security Fund (NSSF). Transactions with NSSF are done in the ordinary course of business and include supply of electricity for use by NSSF and remittance of social security contributions for the Company's employees.

The following transactions were done with the shareholder:

	2022	2021
	Ushs million	Ushs million
Sale of electricity – NSSF	1,628	1,749
Social security contributions to NSSF	13,421	11,370
Dividend payment to shareholders	20,500	4,578

The following amounts were due to the shareholder as at year-end:

	2022	2021
	Ushs million	Ushs million
Social security contributions payable – NSSF	983	848
Dividends approved but not yet paid	-	-

The outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables.

Directors' interests

Some directors held, directly, an interest in the Company's ordinary issued share capital as indicated in the table below:

Director	Number of		Number of	
	shares	% of	shares	% of
	2022	shareholding	2021	shareholding
Selestino Babungi	4,565,000	0.28%	3,900,000	0.24%
Patrick Bitature	2,011,100	0.12%	2,011,100	0.12%
Florence N. Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Ridolfi Riccardo	962,784	0.06%	-	0.00%
Hon. Gerald Ssendaula	586,800	0.04%	586,800	0.04%

Compensation for key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel comprise of the directors and management.

	2022	2021
	Ushs million	Ushs million
Directors' emoluments and expenses	2,838	2,680
Contributions to NSSF	899	711
Short term employee benefits	7,114	6,798
Short term employee performance award	4,239	1,847
	15,090	12,036

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. The non-executive directors do not receive pension entitlements from the Company.

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39. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

The Company uses EBITDA as one of its alternative performance measures. For this purpose, EBITDA is determined as operating profit before amortisation, impairment of intangible assets, interest and tax as adjusted to exclude foreign exchange losses.

	2022		2021	
	Ushs million	USD '000	Ushs million	USD '000
Operating profit before amortisation, impairment of intangible assets, interest and tax ¹	398,900	111,204	378,491	103,791
Foreign exchange losses	(14,108)	(6,835)	23,854	8,191
EBITDA	384,792	104,369	402,345	111,982

¹ As presented in the statement of profit or loss.

40. CONTINGENT LIABILITIES

a) Legal claims

The Company is a defendant in various legal actions arising in the normal course of business. The Company has been advised by its Legal Counsels that it is only possible but not probable that cases with claims amounting to Ushs 3.1 billion (2021: Ushs 3.2 billion) could be decided against the Company. Accordingly, no provision for liabilities relating to these cases has been made in these financial statements. The Company continues to defend itself against these actions and therefore it is not practical to determine the timing or size of the contingent liabilities.

b) Tax disputes

Tax treatment of the Company's investments in the Distribution Network

Uganda Revenue Authority (URA) conducted a tax audit during 2019. URA noted that all investments in the Distribution Network (concession assets) accounted for under concession accounting (IFRIC 12) for the purpose of the statutory financial statements prepared in accordance with IFRS should have been treated as intangible assets on adoption of IFRIC 12 in 2008 for purposes of determining taxable income, and that the Company is not entitled to tax depreciation allowances computed on the basis that the assets are tangible assets for income tax purposes. URA did not issue a tax assessment with respect to this matter as the Company had sought Court interpretation on the same. URA, however, issued a specific assessment indicating that for the years 2013 to 2016, the Company underpaid income tax as a result of utilisation of tax losses carried forward and utilisation of tax credits on the basis of the Company's tax treatment of the assets as tangible assets for which tax depreciation allowances should be considered when determining taxable income. The assessed amount was Ushs 9.2 billion and Ushs 4.2 billion as principal tax, interest and penalties arising from carrying forward tax losses and utilisation of tax credits, respectively.

In 2020, the Tax Tribunal ruled in favour of the Company and in 2022 the High Court dismissed an appeal filed by UEDCL.

Interest and penalties relating to the 2016 restatement of revenue

URA issued an assessment on the basis that the restatement of the Company's 2016 financial statements to correct the lifeline surcharge revenue meant that income tax had been understated in the respective year by Ushs 9.48 billion. Consequently, the Company was liable to late payment interest and penalties amounting to Ushs 2 billion and Ushs 1.2 billion, respectively. The Company accrued for the assessed principal tax in the 2016 restated financial statements and paid the amount to URA in 2019. The Company disputes and has objected to the interest and penalties on the following basis:

Although the under provision of the lifeline surcharge revenue resulted in a restatement of the Company's 2016 financial statements as the Company was deemed entitled to the income for financial

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reporting purposes, the income relating to this under provision was not taxable in 2016 as at this time, the under recovery was not known to both the Company and ERA. The income became taxable when ERA actually included the amounts in the 2019 tariff for the Company to bill and collect. This is based on interpretation of Section 42 of the ITA as elaborated below.

For income tax purposes, Section 42(2) of the ITA provides that:

“42. Accrual-Basis Taxpayer;

- 1. A taxpayer who is accounting for tax purposes on an accrual basis –
 - a) derives income when it is receivable by the taxpayer; and*
 - b) incurs expenditure when it is payable by the taxpayer.**
- 2. Subject to the ITA, an amount is receivable by a taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by instalments.”*

The directors believe, basing on consultation with the Company’s tax consultants and legal counsel, that there is a reasonably good chance that this matter will be determined in the Company’s favour.

Unpaid taxes on imports of boxed meter solutions

URA issued an assessment disputing the basis of the Company’s delaration of meter boxed solution consignments under HS Code 9028.38.00 which specifically relates to electricity meters attracting an import duty of 0%. The Authority proposed reclassification to HS Code 8537.10.00 which relates to electricity control and distribution equipment of less than 1000 volts with an import duty rate of 10%.

The resultant assessment following the reclassification gave rise to a tax liability of Ush 6.8 billion as additional duty payable on the assessed consignments. The Company disputes and has objected to the additional duties on the following basis;

1. A single phase meter boxed solution is not an instrument used in control and distribution of electricity. The primary function of a single phased meter solution is to measure electricity consumption to the customer.
2. Similarly, the components of a single phased meter solution enable the electricity meter to perform its functions of measuring the electricity consumption of a customer.
3. Following the guidance under general rule 3, the description of items covered under HS Code 8537.10 is not the most specific description that applies to the single phased meter boxed solution.
4. The Company classified these electricity meters under HS Code 9028.38.00 which specifically lists “electricity meters” among items covered by the HS code thus maintaining their essential character of metering as opposed to the non-specific reclassification as electricity control and distribution equipment under HS Code 8537.10.00.

The directors believe, basing on consultation with the Company’s tax consultants and legal counsel, that there is a reasonably good chance that this matter will be determined in the Company’s favour.

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41. COMMITMENTS

Minimum investment requirements

No minimum investment targets have been set for the Company for the current and future periods, but the Company is required under the Lease and Assignment Agreement to make the necessary modifications to the distribution system as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. Given the nature of the distribution system, the expected future cost of making such modifications cannot be reliably quantified. The investments made in the Distribution Network by the Company as at the reporting date are as disclosed in Notes 17 and 18.

Concession fees commitments

Future minimum concession fees payments under the concession agreements together with the present value of the minimum concession fees payments are estimated as follows:

	2022		2021	
	Minimum payments Ushs million	PV of minimum payments	Minimum payments Ushs million	PV of minimum payments
Within one year	-	-	-	-
After one year but not more than five years	341,742	340,121	326,180	322,734
After five years	-	-	-	-
	326,180	322,734	326,180	322,734
Less: Amounts representing finance charges	(1,621)	-	(3,446)	-
Present value (PV) of minimum concession fees payments	340,121	340,121	322,734	322,734

42. CONCESSION ARRANGEMENT

The Company signed various contracts with GoU institutions and with the shareholders on 17 May 2004 to support the 20-year concession which took effect on 1 March 2005. These agreements have since been amended a number of times. The agreements set out terms, conditions and obligations of the parties to the different contracts as follows:

Lease and Assignment Agreement (LAA)

The Company signed the Lease and Assignment Agreement with UEDCL under which:

- The Company received “possession of the assets under the concession but not ownership” and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years on 28 February 2025, unless the contract is terminated before that date. Umeme is required to make monthly rental payments into an “Escrow Account” for the assets under concession, assigned interest and other rights equivalent to: debt service for loans of UEDCL; actual depreciation and interest expenses related to the portion of the assets under concession assets acquired on or after 1 January 2002; a maximum return on equity of 10% on the assets carrying amount effective January 2009; and administration fees. Umeme will always receive the rental payments made to UEDCL regardless of the performance of the Distribution Network assets that were taken over from UEDCL and therefore the Company does not assume any demand risk. Umeme has, in terms of the rental payments, an unconditional right to receive cash as indicated in Note 19. The right to receive cash is accounted for by the Company as a financial asset.
- Umeme has the rights and obligation to make the necessary modifications to the distribution system as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. However, UEDCL retains title to the modifications and additions from the

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effective date of the modification. In order for Umeme to recover its investments in the Distribution Network and earn a return through the tariff, investments need to be pre-approved by ERA.

- c) Umeme at its sole cost and expense is required to obtain and maintain insurance policies from insurers that are financially sound and commercially viable in Uganda. In the event of loss which prevents the Company from performing under the Lease and Assignment Agreement, UEDCL is named as 'loss payee' under all property casualty insurance procured by Umeme to cover loss or damage to the Distribution Network.
- d) The agreement may be terminated either by UEDCL where the Company fails to meet its obligations or by the Company where UEDCL, UETCL or GoU fail to meet their respective obligations as specified under the original agreement or under the fourth amendment to the LAA of 28 November 2006. A buy-out amount (as defined in the agreement) is payable to the Company.
- e) Umeme and UEDCL are required to agree on an agent who will be a designated bank and enter into an Escrow Agreement. The parties shall open both Ushs and USD accounts. The Company shall deposit into the Escrow Accounts all rent net of the administration fee component that will be paid directly to UEDCL. GoU and UEDCL may deposit funds into the Escrow Accounts at any time. The designated bank for the Escrow Account is Citibank London.

Support Agreement

The support agreement between Umeme and GoU and the third amendment thereto of 28 November 2006 stipulate conditions to be fulfilled before the transfer date, during the concession period and the date for handing over the Distribution Network at the end of concession term, and the obligations of the contract parties and the mechanisms for handling disputes arising during the concession. GoU undertook to use its good office, upon reasonable request from the Company, to support the Company's performance of its obligations of managing the Distribution Network provided that this will not relieve the Company from fulfilling its obligations as defined in the agreement.

Power Sales Agreement (PSA)

Under the Power Sales Agreement entered into with UETCL and the third amendment thereto stipulates that:

- i. The Company is required to purchase electricity declared available and delivered by UETCL. In the event the amount of electricity delivered by UETCL falls short of a pre-agreed minimum threshold, the Company is supposed to be compensated for the resultant revenue short fall as specified in the agreement.
- ii. Although the Company may not purchase electricity from a third party or generate its own power without the prior consent of UETCL, it has the right, but not obligation, to do so in the event that UETCL is unable or failed to supply.

Licence for Supply and Distribution of Electricity

Umeme was granted this licence by ERA to perform the necessary activities for supply of electricity within a defined geographic area in accordance with specific licence conditions and pursuant to the Electricity Act, 1999. Umeme is required to adopt Prudent Utility Practices but taking into account the state of the Distribution Network and ERA providing the necessary regulatory mechanism and tariff methodology for the Company to meet its obligations pursuant to the various concession agreements.

Escrow Agreement

This agreement was signed on 18 February 2005 between UEDCL and Umeme to establish an "Escrow Account" with Citibank N.A., London, the appointed "Escrow Agent". The account was opened and initially funded by UEDCL and thereafter by Umeme's monthly deposit of rental payments due to UEDCL under the LAA. Although the escrow amount is exclusively owned by UEDCL, in combination with a "Letter of Credit" facility funded by World Bank and issued by the Escrow Agent, the escrow amount will accumulate up to a predetermined amount ("the Required Amount") that would be used to compensate Umeme in the event of certain contingencies defined in the LAA and will also serve

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as security for Government obligations under the Support Agreement. At the time of issuing these financial statements, the Escrow Account was depleted and had no funds.

43. RISK MANAGEMENT

Regulatory and environmental risks

The Company is subject to laws and regulations in various jurisdictions in which it operates. The Company has established regulatory and environmental policies and procedures to comply with the applicable laws and regulations.

Financial risks

The Company's financial instruments comprise the items disclosed in Note 36. The main purpose of the financial liabilities is to finance the Company's operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk function that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk function provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and currency risk. The Company has no exposure to price risk as it holds no price sensitive financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and proportion of financial instruments in foreign currencies are all constant at the reference dates. The analyses exclude the impact of movements in market variables on non-financial instruments like statutory liabilities and assets, provisions and prepayments.

The following assumptions have been made in calculating the sensitivity analyses:

1. The sensitivity of the profit or loss is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022 and 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages interest rate risk by having a balanced portfolio of fixed and variable rate debt obligations. The Company's goal is to ensure that 50% of the debt obligations are at fixed rates. To manage this, the Company may consider entering into interest rate swap arrangements, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

No hedging instruments were in place in respect to Facilities C and D as of year-end. The Company is assessing the viability of entering into appropriate hedging arrangements.

The Company's term borrowings and revolving credit facilities carry variable interest rates. The Company also has interest bearing bank demand deposits, but these do not present a material interest

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rate risk exposure to the Company given the low interest rates offered by the banks for such deposits.

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. All amounts are in Ushs million.

	Up to 1				Non-interest	
	month	1 - 12 months	1 - 5 years	> 5 years	bearing	Total
At 31 December 2022						
Financial assets						
Buy out amount	-	-	788,228	-	220,688	1,008,916
Concession financial asset	-	-	340,121	-	-	340,121
Trade and other receivables	-	-	-	-	277,239	277,239
Bank balances	46,098	-	-	-	-	46,098
	46,098	-	1,128,349	-	497,927	1,672,374
Financial liabilities						
Borrowings	-	176,631	-	-	-	176,631
Concession obligation	-	-	340,121	-	-	340,121
Customer security deposit	-	11	-	-	-	11
Accrued expenses	-	-	-	-	17,165	17,165
Trade and other payables	-	-	-	-	505,051	505,051
Bank overdrafts	127,861	-	-	-	-	127,861
	127,861	176,642	340,121	-	522,216	1,166,840
Net exposure	(81,763)	(176,642)	788,228	-		

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	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
At 31 December 2021						
Financial assets						
Buy out amount	-	-	-	887,807	200,348	1,088,155
Concession financial asset	-	-	322,734	-	-	322,734
Trade and other receivables	-	-	-	-	236,412	236,412
Bank balances	50,236	-	-	-	-	50,236
	50,236		322,734	887,807	436,760	1,697,537
Financial liabilities						
Borrowings	-	170,774	165,831	-	-	336,605
Concession obligation	-	-	322,734	-	-	322,734
Customer security deposits	-	7	-	-	-	7
Accrued expenses	-	-	-	-	22,645	22,645
Trade and other payables	-	-	-	-	519,615	519,615
Bank overdrafts	95,114	-	-	-	-	95,114
	95,114	170,781	488,565	-	542,260	1,296,720
Net exposure	(44,878)	(170,781)	(165,831)	887,807		

The interest rate risk exposure arising, assuming an increase/decrease in interest rates by 3%, is a decrease/increase in profit before tax and equity of Ushs 403 million (2021: Ushs 529 million) and Ushs 282 million (2021: Ushs 370 million), respectively.

Foreign exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's activities when revenue or expenses are denominated in a currency different from the Company's functional currency, which is USD. The Company's operations are only in Uganda and the main income from power sales is billed in Ushs although most of the inputs into the underlying tariff methodology are USD based. The significant costs for equipment and material purchases are denominated in foreign currencies. A significant portion of the Company's borrowings is in USD. Foreign exchange spot rates are negotiated with banks on a competitive basis.

The table below summarises the Company's potential exposure to foreign currency exchange rate risk as at 31 December 2022 and 31 December 2021. The table includes only financial instruments. The Company is not exposed to foreign currency risk on amounts denominated in USD as this is the Company's functional currency. The amounts denominated in USD are indicated in the table below for information. All amounts presented are in Ushs million.

At 31 December 2022	USD	GBP	EURO	ZAR	KES	Ushs	Total
Financial assets							
Buy out amount	1,008,916	-	-	-	-	-	1,008,916
Concession financial asset	340,121	-	-	-	-	-	340,121
Trade and other receivables	28,799	-	-	-	-	248,440	277,239
Bank balances	25,566	-	-	-	-	20,532	46,098
Total financial assets	1,403,402	-	-	-	-	268,972	1,672,374
Financial liabilities							
Borrowings	176,631	-	-	-	-	-	176,631
Concession obligation	340,121	-	-	-	-	-	340,121
Customer security deposits	-	-	-	-	-	11	11
Accrued expenses	-	-	-	-	-	17,165	17,165
Trade and other payables	44,738	225	632	-	2	459,454	505,051
Bank overdrafts	56,955	-	-	-	-	70,906	127,861
Total financial liabilities	618,445	225	632	-	2	547,536	1,166,840
Net open position	784,957	(225)	(632)	-	(2)	(278,564)	

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	USD	GBP	EURO	ZAR	KES	Ushs	Total
At 31 December 2021							
Financial assets							
Buy out amount	1,088,155	-	-	-	-	-	1,088,155
Concession financial asset	322,734	-	-	-	-	-	322,734
Trade and other receivables	35,951	-	-	-	-	200,461	236,412
Bank balances	35	-	-	-	-	50,201	50,236
Total financial assets	1,446,875	-	-	-	-	250,662	1,697,537
Financial liabilities							
Borrowings	336,605	-	-	-	-	-	336,605
Concession obligation	322,734	-	-	-	-	-	322,734
Customer security deposits	-	-	-	-	-	7	7
Accrued expenses	-	-	-	-	-	22,645	22,645
Trade and other payables	100,686	252	721	-	8	417,948	519,615
Bank overdrafts	84,956	-	-	-	-	10,158	95,114
Total financial liabilities	844,981	252	721	-	8	450,758	1,296,720
Net open position	601,894	(252)	(721)	-	(8)	(200,096)	

The sensitivity to a reasonably possible change in the USD to Ushs exchange rate, with all other variables held constant, is indicated in the table below. The impact on the Company's profit before tax and equity is due to changes in the fair value of monetary assets and liabilities.

	Change in USD to Ushs rate	Effect on profit before tax Ushs million	Effect on equity Ushs million
2022	+5%	13,928	9,750
	-5%	(13,928)	(9,750)
2021	+5%	10,005	7,003
	-5%	(10,005)	(7,003)

The applicable USD to Ushs exchange rates were as follows:

	2022	2021
Closing foreign exchange rate	3,719	3,549.30
Average foreign exchange rate	3,695	3,592.96

Movements in the foreign exchange rates for the other currencies do not have a material impact on the Company's results.

The Company's exposure to foreign exchange risk is mitigated through a provision in the tariff methodology that allows for adjustment for foreign exchange rate movements on a quarterly basis for the Company's revenue requirements denominated in USD. The components include return on investment and related tax allowance, capital recovery and USD denominated operating costs. The Company's capital investments are also denominated in USD, and the annual capital recovery is translated to Ushs on quarterly basis per the ruling exchange rate. As such, the impact of variations in foreign exchange rates on the results and equity of the Company are minimal, as there is a foreign exchange hedge through the tariff mechanism, subject to the USD denominated liabilities being lower than the USD revenue streams and quarterly lag in exchange rate adjustments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Company is exposed to credit risk from its operating activities, mostly trade receivables, and from its financing activities, including deposits with banks and other financial instruments.

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Credit risk arising from balances with banks is managed by the Company's treasury department in accordance with the Company's policy of limiting exposure to any one bank and banking with reasonably rated regulated banks as approved by the Board of Directors.

Customer credit risk from trade receivables is managed by the Company's revenue cycle unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Major suppliers are approved following specific eligibility criteria and provide performance guarantees or enter into Letter of Credit contracts to mitigate credit risk relating to advance payments to suppliers. Customers are required to pay security deposits, equivalent to estimated energy consumption of three months, before being connected to the Distribution Network.

Unpaid amounts due from GoU bodies are recoverable through contractual rights in the concession agreements. 97.9% (2021: 97.7%) of the domestic customers are connected to pre-paid metering and there is a target uncollected debt provision in the tariff methodology to mitigate against unrecoverable receivables. The maximum exposure to credit risk and credit concentration as represented by the carrying amount of each class of financial assets before considering collateral or other credit enhancements held by the Company was as indicated below:

	2022		2021	
	Ushs million	%	Ushs million	%
Buy out amount	1,008,916	60.3%	1,088,155	64.1%
Concession financial asset	340,121	20.3%	322,734	19.0%
Trade receivables	222,270	13.3%	197,919	11.7%
Other receivables	24,220	1.4%	3,465	0.2%
MEMD - Peri Urban Development project	1,950	0.1%	2,241	0.1%
REA – ECP	28,799	1.7%	32,787	1.9%
Bank balances	46,098	2.9%	50,236	3.0%
Total financial assets	1,672,374	100.0%	1,697,537	100.0%

The concentration of credit risk is further analysed as follows:

	2022		2021	
	Ushs million	%	Ushs million	%
Due from GoU bodies				
Buy out amount	1,008,916	60.3%	1,088,155	64.1%
Concession financial asset	340,121	20.3%	322,734	19.0%
MEMD	1,950	0.1%	2,241	0.1%
REA	28,799	1.7%	32,787	1.9%
Trade receivables - GoU bodies	50,137	3.0%	15,723	0.9%
	1,429,923	85.4%	1,461,640	86.1%
Recoverable from other customers				
Trade receivables - other customers	172,133	10.3%	182,196	10.7%
Other receivables	24,220	1.4%	3,465	0.2%
	196,353	11.7%	185,661	10.9%
Due from banks				
Bank balances	46,098	2.9%	50,236	3.0%
	46,098	2.9%	50,236	3.0%
Total financial assets	1,672,374	100.0%	1,697,537	100.0%

Except for the customer security deposits as disclosed in Note 30, the Company does not hold collateral as security against the above amounts. The concession agreements have additional comprehensive mechanisms to mitigate against performance failures of contract parties including GOU bodies. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located all over the Country and in different industries.

Expected credit losses for trade receivables are determined for each reporting period using a single loss rate approach. Under the loss rate approach, the Company develops loss-rate statistics based on the amounts collected over the life of the financial assets rather than using separate probability

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

of default and loss given default statistics. The Company then adjusts these historical credit loss trends for current conditions and expectations about the future. The loss rates are based on the respective tariff categories. The calculation reflects a simple average of all loss rates per period, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company uses an overlay of measuring and forecasting the level of defaults. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Company does not hold collateral as security.

The expected credit losses for the other financial assets are generally determined using expected credit loss rates derived from the prevailing credit ratings of the counter parties. The determination of expected credit losses reflects the probability-weighted outcome, time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and expected future economic conditions. No other financial assets were considered to be in default (2020: None).

Set out below is the credit risk exposure arising from the Company's trade receivables using a single loss rate approach:

	Gross receivable Ushs million	2022		Carrying amount Ushs million
		Loss rates	ECL Ushs million	
Trade receivables				
Domestic	19,689	6.7%	(1,325)	18,364
Commercial	29,706	0.5%	(149)	29,557
Industrial – High Voltage	53,891	0.6%	(323)	53,568
Industrial – Low Voltage	35,875	0.0%	-	35,875
Industrial – EV	35,235	2.2%	(775)	34,460
Street lightening	309	0.0%	-	309
Government of Uganda	50,137	0.0%	-	50,137
Impaired receivables	32,353	100%	(32,353)	-
	257,195		(34,925)	222,270
Other financial assets				
REA - ECP receivables	29,727	3.12%	(928)	28,799
REA - OBA receivables	-	0.00%	-	-
MEMD – Peri-Urban development project	2,012	3.08%	(62)	1,950
Other receivables	24,234	0.06%	(14)	24,220
Bank balances	46,098	0.00%	-	46,098
Concession financial asset	340,121	0.00%	-	340,121
Buy out amount	1,009,272	0.035%	(356)	1,008,916
	1,451,464		(1,360)	1,450,104
Total financial assets	1,708,659		(36,285)	1,672,374

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	2021			Carrying amount Ushs million
	Gross receivable Ushs million	Loss rates	ECL Ushs million	
Trade receivables				
Domestic	24,329	7.1%	(1,727)	22,602
Commercial	29,021	0.6%	(175)	28,846
Industrial – High Voltage	55,813	1.2%	(662)	55,151
Industrial – Low Voltage	47,551	0.3%	(159)	47,392
Industrial – Extra Large Voltage	28,167	2.3%	(646)	27,521
Street Lighting	684	0.0%	-	684
Government of Uganda	15,723	0.0%	-	15,723
Impaired receivables	29,498	100%	(29,498)	-
	230,786		(32,867)	197,919
Other financial assets				
REA - ECP receivables	33,651	2.57%	(864)	32,787
REA - OBA receivables	-	0.00%	-	-
MEMD – Peri-Urban development project	2,300	2.57%	(59)	2,241
Letters of credit – cash cover	3,500	1.00%	(35)	3,465
Other receivables	50,236	0.00%	-	50,236
Bank balances	322,734	0.00%	-	322,734
Concession financial asset	1,088,511	0.033%	(356)	1,088,155
Buy out amount				
	1,500,932		(1,314)	1,499,618
Total financial assets	1,731,718		(34,181)	1,697,537

Trade receivables past due by more than 90 days are considered to be impaired. There were no other financial assets that were past due or impaired.

Liquidity risk

The Company monitors the risk of shortage of funds using budget analysis. This involves analysing maturities of financial liabilities and financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, equity and cash collections from customers.

The primary objective of the Company's liquidity management is to ensure that it maintains compliance with lenders' and creditor commitments and obligations. To maintain or adjust the liquidity position, the Company may call for more capital from shareholders, get/draw from financing facilities or adjust the timing of capital expenditure and / or repayments to creditors, as appropriate. The Company assessed that the concentration of risk with respect to refinancing the outstanding debts is low. The Company has access to a sufficient variety of sources of funding, including the approved undrawn borrowing and working capital facilities disclosed in Note 27.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of creditors and lenders. Identified concentrations of liquidity risk are controlled and managed accordingly.

The table below summarises the maturity profile of the Company's liabilities based on contractual

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

undiscounted payments. All balances are in Ushs million.

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total
Financial liabilities					
At 31 December 2022					
Borrowings	-	-	189,398	-	189,398
Concession obligation	-	-	-	341,742	341,742
Customer security deposits	11	-	-	-	11
Accrued expenses	-	17,165	-	-	17,165
Trade and other payables	367,283	137,768	-	-	505,051
Bank overdrafts	127,861	-	-	-	127,861
	495,155	154,933	189,398	341,742	1,181,228
At 31 December 2021					
Borrowings	-	-	190,591	161,874	352,465
Concession obligation	-	-	-	326,180	326,180
Customer security deposits	7	-	-	-	7
Accrued expenses	-	22,645	-	-	22,645
Trade and other payables	384,995	134,620	-	-	519,615
Bank overdrafts	95,114	-	-	-	95,114
	480,116	157,265	190,591	488,054	1,316,026

71% of the Company's financial liabilities will mature in less than one year after 31 December 2022(2021: 63%) based on the undiscounted cash flows above.

Fair value measurement

The Company has no assets and liabilities for which the carrying amount is based on fair value. For fair value disclosure purposes, management has evaluated that, except for the assets and liabilities presented in the table below, the fair values of the Company's financial assets and liabilities reasonably approximate their carrying amounts due to the short-term maturities of the financial instruments or because the interest rates applicable to long-term financial instruments approximate the prevailing market interest rates.

	2022		2021	
	Carrying amount Ushs million	Fair value Ushs million	Carrying amount Ushs million	Fair value Ushs million
Other financial asset	1,008,916	1,251,376	1,088,155	1,585,586
Concession financial asset	340,121	341,324	322,734	325,131
Concession obligation	340,121	341,324	322,734	325,131

The fair value of the above instruments is determined using the discounting of cash flows method by applying discount rates that reflect directly or indirectly observable market interest rates for similar instruments. The instruments are therefore categorised under Level 2 of the fair value measurement hierarchy. There were no transfers into and out of this fair value measurement hierarchy.

The own non-performance risk regarding the financial liabilities was assessed to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The significant inputs used in the fair value measurements together with a quantitative sensitivity analysis are shown below:

Item	Inputs	Inputs applied		Sensitivity of input to fair value		
		2022	2021	Change in input	2022	2021
					Ushs million	
Other financial asset	USD equivalent market yield on GOU treasury bonds with similar term	10.20%	7.48%	+0.1%	2,287	3,933
Concession financial asset	Market interest rate for term	8.13%	5.16%	+0.1%	5	23
Concession obligation	loans with similar term	8.13%	5.16%	+0.1%	5	23

Capital management

The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is computed as net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing borrowings less cash and cash equivalents. For the purpose of managing capital, management considers capital to include issued capital, share premium, retained earnings and other equity reserves attributable to the equity holders of the Company. The Company aims to maintain a gearing ratio of less than 100%. The Company's gearing ratio as at year-end was as shown below:

	Note	2022 Ushs million	2021 Ushs million
Borrowings	27	176,631	336,605
Less: Cash and cash equivalents	35	81,774	44,885
Net debt		258,405	381,490
Issued capital	24	27,748	27,748
Share premium	25	70,292	70,292
Retained earnings		701,711	641,310
Translation reserve		210,297	153,804
Total capital		1,010,048	893,154
Net debt plus capital		1,268,453	1,274,644
Gearing ratio		20.4%	29.9%

The Company's management also aims to ensure that financial covenants attached to the interest-bearing borrowings that define capital structure requirements are met. Breach of the financial covenants would permit the lenders to institute sanctions stipulated in the borrowing agreement. There was no breach of the financial covenants attached to the interest-bearing borrowings during the year and as of year-end as indicated below:

Financial covenant	Covenant requirement	Actual	
		2022	2021
Interest cover	≥ 2.5 : 1	9.07	11.04
Adjusted leverage	≤ 3.0 : 1	0.67	0.97
Relevant financial indebtedness to equity	≤ 2.5 : 1	0.30	0.49
Debt service cover	≥ 1.15 : 1	1.22	1.29
Buy out amount to relevant facility amount	≥ 1.1 : 1	1.78	1.21

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Interest cover is the ratio of EBITDA over total interest less amortization of deferred finance costs
2. Adjusted leverage is the ratio of net debt over EBITDA
3. Relevant financial indebtedness to equity is the ratio of total debt over total equity
4. Debt service cover is the ratio of the cash flows available for debt service over the debt service costs
5. Buy out amount to relevant facility amount is the ratio of the buy out amount over the total amount of facilities.

No changes were made in the objectives, policies or processes for managing capital during the current and prior years.

44. UKRAINE, RUSSIA/BELARUS CONFLICT

The directors of the company have assessed that this conflict and related sanctions do not have a significant impact on the Company's operations because of the following considerations:

1. The Company provides an essential service with a tariff that is regulated by ERA. The impact of macroeconomic shifts on the sector tariffs are harmonized by the ERA through quarterly adjustments for changes in the macro-economic factors of fuel prices, foreign exchange rates and inflation rates (together, 'the adjustment factors').
2. The company does not depend on suppliers based in the countries impacted by the conflict and related sanctions.
3. The impact of the supply chain disruptions continues to be mitigated by proactive and dynamic inventory management and to ensure that there is enough stock of materials to support the capital expenditure and network maintenance programs.

45. SEGMENT INFORMATION

The Company is organised into one single business unit for management purposes. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the financial statements.

The Company's operations are restricted to distribution of electricity to consumers in Uganda. No single customer contributes revenue amounting to more than 10% of the Company's revenue. All the Company's assets are located in Uganda.

The Company's core business activities are electricity distribution, electricity supply and service after sales. Electricity distribution entails operation, maintenance and upgrading of the electricity distribution network not exceeding 33 Kilovolts (KV) within the authorised territory in Uganda. Electricity supply and service after sales entails connection of new customers, meter reading, billing customers, revenue collection, addressing customer queries, restoration of power interruptions, general customer care, customer sensitisation on energy efficiency and marketing available power to customers. The revenue from these business activities is categorised into energy sales (billings to customers), construction revenue and other operating income as presented in Notes 6.

The Company's customers are categorised into domestic, commercial, medium industrial, large industrial and street lighting. The retail tariff rates are based on the type of customer category and generally charged based on relative usage levels plus a fixed monthly service charge. The revenue generated from each of the customer categories is presented in Note 6.

The Company submits its base tariff application to ERA once each year, including the fixed targets and updates for actual performance. The base retail tariffs are set annually from January and are adjusted quarterly for changes in foreign exchange rates, oil prices and inflation. Refer to ERA website: www.era.or.ug, for the quarterly retail tariffs applicable during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The base retail tariffs approved by ERA, effective as of 1 January, are shown in the table below:

Customer segment	Description	Based on usage			Fixed monthly charge	
		Usage	Ushs/kWh		Ushs	
			2022	2021	2022	2021
Domestic consumers	Low voltage supply at 240 volts to residential houses, small shops and kiosks	Lifeline charge applicable for the first 15 units consumed in a month	250	250	3,360	3,360
		Energy above 15 units (Ushs/kWh)	747.5	750.9		
		Energy units between 81 – 150 (Ush/kWh)	412.0			
		Energy Units above 150 (Ush/kWh)	747.5			
Commercial	Low voltage supply to three phase low voltage with load not exceeding 100 Amperes and supplied at 415 volts e.g., small scale industries like maize mills	Peak, shoulder and off peak	597.2	642.4	3,360	3,360
Medium industrial	Low voltage supply to medium scale industries, taking power at low voltage (415 V), with maximum demand of up to 500kVA	Peak, shoulder and off peak	472.9	560.2	22,400	22,400
Large industrial	High voltage supply to large scale industrial users, taking power at high voltage (11,000 or 33,000 V), with maximum demand exceeding 500kVA but up to 1,500kVA	Peak, shoulder and off peak	355.0	361.0	70,000	70,000
		Additional maximum demand charge				
Extra-large industrial consumers	High voltage 11,000V or 33,000V, with maximum demand exceeding 1,500kVA and dealing in manufacturing	Peak, shoulder and off peak	300.2	301.7	70,000	70,000
		Additional maximum demand charge				
Street lighting	Supply for street lighting in cities, municipalities, towns, trading centres and community centres	Average	370	370	-	-

46. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting period which require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CONCESSION ASSETS: UMEME FUNDED ASSETS

The carrying amount of the tangible assets that form the basis of the Company's 'Other concession rights' presented in Note 17 is made up of the following:

	Substations, low voltage lines & services Ushs million	Land & buildings Ushs million	Furniture & fittings, tools & office equipment Ushs million	Computers, communication equipment & MIS Ushs million	Motor vehicles Ushs million	Capital work-in- progress (CWIP) Ushs million	Total Ushs million
At 1 January 2021	1,372,359	17,099	28,455	55,746	18,135	48,439	1,540,233
Additions	-	-	-	-	-	122,502	122,502
Transfer from CWIP	101,591	664	4,444	13,604	1,254	(121,557)	-
Disposals	(10,849)	-	-	-	(699)	-	(11,548)
Transfer to financial asset	(84,054)	-	-	-	-	-	(84,054)
Translation difference	(38,085)	(482)	(841)	(1,711)	(509)	(1,364)	(42,992)
At 31 December 2021	1,340,962	17,281	32,058	67,639	18,181	48,020	1,524,141
Additions	-	-	-	-	-	110,656	110,656
Transfer from CWIP	97,315	2,511	3,431	1,620	1,304	(106,181)	-
Disposals	(81)	-	(673)	-	(34)	-	(788)
Transfer to financial asset	149,365	-	-	-	-	-	149,365
Translation difference	66,506	841	1,547	3,240	880	1,354	74,368
At 31 December 2022	1,654,067	20,633	36,363	72,499	20,331	53,849	1,857,742
Depreciation							
At 1 January 2021	655,046	6,703	22,634	51,824	17,373	-	753,580
Charge for the year	149,810	796	3,246	4,361	261	-	158,474
Disposals	(4,471)	-	-	-	(699)	-	(5,170)
Translation difference	(19,925)	(196)	(667)	(1,489)	(476)	-	(22,753)
At 31 December 2021	780,460	7,303	25,213	54,696	16,459	-	884,131
Charge for the year	149,038	825	3,733	5,699	534	-	159,829
Disposals	(31)	-	(580)	-	(34)	-	(645)
Translation difference	38,163	352	1,221	2,650	792	-	43,178
At 31 December 2022	967,630	8,480	29,587	63,045	17,751	-	1,086,493
Net carrying amount							
At 31 December 2022	686,437	12,153	6,776	9,454	2,580	53,849	771,249
At 31 December 2021	560,502	9,978	6,845	12,943	1,722	48,020	640,010

SUPPLEMENTARY INFORMATION

MEMORANDUM FINANCIAL INFORMATION IN USD FOR THE YEAR ENDED 31 DECEMBER 2022

BASIS OF TRANSLATION

The directors determined that the Company's functional currency is USD effective from 1 January 2015. The statutory financial statements are presented in Ushs to meet the expectations of the key users of the financial statements. However, to meet the needs of certain users of the financial statements, memorandum financial information in USD is presented. The memorandum financial information comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows.

The translation from foreign currencies to functional currency is done in accordance with the Company's accounting policy as disclosed in Note 2 (b) to the audited financial statements. The foreign exchange rates applicable were as follows:

	2022	2021	2020
Average foreign exchange rate	3,695	3,561	3,724
Year-end foreign exchange rate	3,719	3,549	3,650
<i>Source: Bank of Uganda</i>			

SUPPLEMENTARY INFORMATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 USD '000	2021 USD '000
Revenue from contracts with customers	511,002	524,643
Cost of sales	(339,529)	(345,895)
GROSS PROFIT	171,473	178,748
Repair and maintenance expenses	(9,245)	(14,018)
Administration expenses	(57,727)	(52,748)
Foreign exchange gains/(losses)	6,835	(8,191)
Increase in expected credit losses	(132)	-
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX	111,204	103,791
Amortisation of intangible assets	(43,327)	(45,916)
OPERATING PROFIT	67,877	57,875
Finance income	5,807	5,420
Finance costs	(12,284)	(10,858)
PROFIT BEFORE TAX	61,400	52,437
Income tax expense	(18,039)	(15,262)
PROFIT FOR THE YEAR	43,361	37,175
Other comprehensive income		
Translation differences	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	43,361	37,175
	2022 USD	2021 USD
BASIC AND DILUTED EARNINGS PER SHARE	0.027	0.023

SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	2022 USD '000	2021 USD '000
ASSETS		
Non-current assets		
Intangible assets	207,602	180,559
Other financial asset	271,314	306,583
Concession financial asset	91,464	90,929
	570,380	578,071
Current assets		
Inventories	17,791	28,260
Contract assets	11,351	10,863
Current income tax recoverable	-	3,928
Trade and other receivables	75,120	67,174
Prepayments	4,363	3,970
Bank balances	12,397	14,154
	121,022	128,349
TOTAL ASSETS	691,402	706,420
EQUITY AND LIABILITIES		
Equity		
Issued capital	8,217	8,217
Share premium	20,815	20,815
Retained earnings	242,586	222,610
	271,618	251,642
Non-current liabilities		
Borrowings: Non-current portion	-	46,722
Concession obligation	91,464	90,929
Deferred tax liability	64,393	66,753
	155,857	204,404
Current liabilities		
Borrowings: Current portion	47,499	48,115
Customer security deposits	3	2
Contract liabilities	24,683	15,961
Current income tax payable	9,399	-
Accrued expenses	4,616	6,380
Provisions	237	237
Trade and other payables	143,106	152,881
Bank overdrafts	34,384	26,798
	263,927	250,374
TOTAL EQUITY AND LIABILITIES	691,402	706,420

SUPPLEMENTARY INFORMATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Issued capital USD '000	Share premium USD '000	Retained earnings USD '000	Total equity USD '000
At 1 January 2021	8,217	20,815	191,000	220,032
Profit for the year	-	-	37,175	37,175
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	37,175	37,175
Dividend paid - 2020 final dividend	-	-	(5,565)	(5,565)
At 31 December 2021	8,217	20,815	222,610	251,642
At 1 January 2022	8,217	20,815	222,610	251,642
Profit for the year	-	-	43,361	43,361
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	43,361	43,361
Dividend paid - 2021 final dividend	-	-	(23,385)	(23,385)
At 31 December 2022	8,217	20,815	242,586	271,618

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 USD '000	2021 USD '000
Profit before tax	61,400	52,437
<i>Adjustment for non-cash items:</i>		
Gain on disposal of assets	-	(17)
Write off of intangible assets	39	1,775
Amortisation of intangible assets	43,288	44,141
Interest income on bank deposits	(118)	(64)
Finance income on other financial asset	(5,154)	(4,631)
Finance income on concession financial asset	(535)	(725)
Finance cost on concession obligation	535	725
Other financing costs	5,452	2,426
Expected credit losses on trade and other receivables	132	-
Provision for obsolete stock	1,093	213
Interest expense on long and short term borrowings	5,478	6,989
Amortisation of deferred transaction costs	827	1,299
Under provision income tax penalty	1,298	-
Increase in provisions	-	(122)
Cash flows before working capital changes	113,735	104,446
<i>Changes in working capital items:</i>		
Increase in inventories	9,376	(367)
Increase in contract assets	(488)	14,184
Increase in trade and other receivables	(8,078)	(7,344)
Decrease/(increase) in prepayments	(393)	9,080
Increase in contract liabilities	8,722	(22,354)
Increase/(decrease) in accrued expenses	(1,764)	(8,394)
Increase in trade and other payables	(9,775)	9,743
Cash generated from operating activities	111,335	98,994
Interest received from banks	118	64
Current income tax paid	(5,353)	(1,701)
Long and short term borrowings interest paid	(5,478)	(6,989)
Other financing costs paid	(5,452)	(2,426)
Borrowings transaction costs paid	(36)	-
Net cash flows from operating activities	95,134	87,942
Investing activities		
Investment in the distribution network	(29,947)	(34,095)
Proceeds from disposal of intangible assets	-	17
Net cash flows used in investing activities	(29,947)	(34,078)
Financing activities		
Dividend paid	(23,385)	(5,565)
Repayment of principal for long term borrowing facilities	(48,129)	(48,118)
Net cash flows used in financing activities	(71,514)	(53,683)
Net (decrease)/increase in cash and cash equivalents	(6,327)	181
Cash and cash equivalents at 1 January	(12,646)	(14,379)
Translation differences	(3,017)	1,552
Cash and cash equivalents at 31 December	(21,990)	(12,646)

05

SHAREHOLDER INFORMATION

Notice of Annual General Meeting



Notice is hereby given that the Annual General Meeting (AGM) of Umeme Limited will be held as a hybrid meeting (comprising partly physical meeting to be held at **Sheraton Hotel, Kampala** and partly virtual meeting using electronic means) on **Thursday 18th May, 2023 at 10:00 am** to conduct the following business:


Ordinary Resolutions

- To receive, consider and if approved, adopt the Company's Audited Financial Statements for the year ended 31 December 2022 and the Directors and External Auditors reports thereon;
- To receive and adopt the recommendation of the Directors on the declaration of a final dividend for the year ended 31 December 2022.
- To approve the re-appointment of Ernst & Young Uganda as the External Auditors of the Company for the year 2023 and to authorize the Board to set the auditor fees.
- To elect directors in place of those retiring.
In accordance with the provisions of the Article 93, 94, 95 and 96 of the Company's Amended Articles of Association, the following Directors are due for retirement by

rotation and being eligible, offer themselves for re-election:

- Mr. Patrick Bitature
 - Mrs. Florence Namatta Mawejje
 - Hon. Gerald Ssendaula
5. To conduct any other business that may be conducted at the AGM.

On behalf of the board,


Shonubi, Musoke and Co Advocates
Company Secretary
26 April 2023

Notes

Meeting Access Information

- The Company shall conduct the Annual General Meeting (AGM) via hybrid means in accordance with Article 46 of the Amended Memorandum and Articles of Association.
- To participate in the AGM, shareholders should register by following the instructions below;
 - Dial ***284*31#** (Uganda mobile networks) or ***483*806#** (Kenya mobile networks) and follow the prompts, or;
 - Send an email request to be registered to **umemeagm@image.co.ke** or;
 - Shareholders with email addresses will receive a registration link via email through which they can register.

Shareholders will be provided with an option to register to participate in the meeting physically or virtually during registration.

In order to facilitate shareholder verification, a shareholder will be required to submit a valid identification document such as a National Identity card or passport number and or their SCD account details.

- Registration will start on **Tuesday 2nd May, 2023 at 9:00 am** and will close on Wednesday 17th May, 2023 at 10am. For support during the registration process, please call +256 312 226 723 or +254 709 170 037 or send an email to **umemeagm@image.co.ke**.
- The AGM will be streamed live at the scheduled time and date to registered shareholders who will receive a link to the event 24 hours before the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USDD) prompt on their registered mobile numbers 24 hours before the AGM, acting as a reminder of the AGM and providing a link to the live stream. A second SMS/USDD prompt shall be sent one hour ahead of the AGM. In registering to attend the AGM, a shareholder opts to receive these messages.
- Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - Sending their written questions by email to **umemeagm@image.co.ke** or **shareholder@candrgroup.co.ug**
 - Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialling the USSD code above and selecting the option (Ask Question) on the prompts or via Question Tab on the livestream link during the AGM.

iii. to the extent possible, physically delivering their written questions with return physical address to the Company Secretary at the address provided below.

iv. All questions received will be responded to via email or SMS or via the selected mode by the shareholder. A full list of all questions received, and the answers thereto will be published on the Company's website within 24 hours following conclusion of the Annual General Meeting.

- Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions put forward in the notice.
- Duly registered Shareholders and proxies may access the agenda and follow the proceedings of the AGM using the livestream platform.
- Duly registered shareholders and proxies may vote (when prompted) using the live stream link or using the USSD prompts. Voting shall be done electronically using the VOTE tab on the live stream link or via USSD.
- The audited financial statements, annual report, a notice of the AGM and proxy form will be uploaded onto the Company website at **www.umeme.co.ug**.

The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

AGM Rights

Umeme Limited Shareholders may attend, speak and vote at the AGM or may appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote at the AGM on behalf of such shareholders. A proxy form is included in the 2022 Annual Report and is available on the Company's website **www.umeme.co.ug**.

Duly completed proxy forms must be returned to the Company Secretary at the addresses set out below to be received by not later than **5:00 pm on Tuesday 16th May 2023**.

Dividend Payment

The dividend, if approved at the AGM, will be paid on or about 20th July, 2023 to shareholders whose names appear on the share register at close of business on 30th June, 2023.

Shareholders are advised to contact their brokers to update their bank account details. Shareholders desiring to receive their payments through mobile money are encouraged to visit the Company's Share Registrar, Custody & Registrars Services Uganda Ltd. on 4th Floor, Rm 403, Diamond Trust Building, Kampala Road to update their records.

Company Secretary
Shonubi, Musoke and Co. Advocates
SM Chambers
Plot 14 Hannington Road
P.O.Box 3213
Kampala, Uganda
www.shonubimusoke.co.ug

Custody and Registrars Services Uganda Ltd.
12th Floor DTB Centre
Kampala Road
Kampala, Uganda
www.crsLtd.co.ke

Proxy Form



A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

I/We _____ (Name in block letters)

of _____ (Address in block letters) being a member of Umeme

Limited hereby appoint _____ of _____

_____ or failing him/her _____

of _____ as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Sheraton Kampala Hotel on the 18th May 2023, and at any adjournment thereof.

Signed this _____ day of _____ 2023.

NOTES

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. To be effective, completed proxy forms must be lodged by not later than 17h00 on 16th May 2023 with the Company Secretary, Share Registrar or the registered office of the Company.

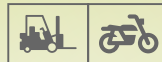
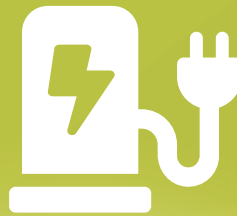
REGISTERED ADDRESS	COMPANY SECRETARY	SHARE REGISTRARS
Umeme Limited Rwenzori House, Plot 1 Lumumba Avenue P. O. Box 23841, Kampala, UG Tel: 0312360600 Email: Info@umeme.co.ug www.umeme.co.ug	Shonubi, Musoke and Co Advocates SM Chambers Plot 14 Hannington Road P.O. Box 3213, Kampala, Uganda www.shonubimusoke.co.ug	Custody and Registrar Services Uganda Ltd. 12th Floor DTB Centre Kampala Road Kampala, Uganda www.crsLtd.co.ke

3. The completion and lodging of this form of proxy will not prevent the relevant shareholder from attending the AGM and speaking and voting in person at the Annual General Meeting (AGM) instead of the proxy.
4. The Chairman of the AGM may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.
5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.
6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company. In the case of a corporation, a resolution of the board or equivalent body shall be required.
7. Where there are joint holders of ordinary shares:
8. any one holder may sign the proxy form; and
9. The vote of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders who tender a vote (whether in person or by proxy) appear in the Company's register) will be accepted as to the exclusion of the vote(s) of the other joint shareholders.



UMEME
Powering Uganda

EMBRACING *e-mobility* IN SERVICE



To reduce its carbon footprint,
Umeme is adopting electric vehicles
& motorcycles in its operations.



OUR JOURNEY



Owen Falls Dam with only **180MW capacity**, was dilapidated, putting the sector in dire need of investments in generation, transmission & distribution.



1998

The Country was cash-tight, leading to the implementation of the Structural Adjustments Programme, Liberalization and Privatization.

1999



THE BIRTH OF UMEME LTD

2005

A World Bank study in 1998 had concluded that Uganda's electricity system was financially not viable due to distribution inefficiency, **characterised by high energy losses (40%) and uncollected bills.** The sector was heavily reliant on Government subsidies.



ENERGY SECTOR REFORMS

THE DARK DAYS

17 years ago, access to electricity was a preserve of selected areas, especially the urban precincts.

The service, then offered by the Uganda Electricity Board (UEB), was characterized by power outages **while the Company was losing 4kWh of power i produced due to a delapidated network**

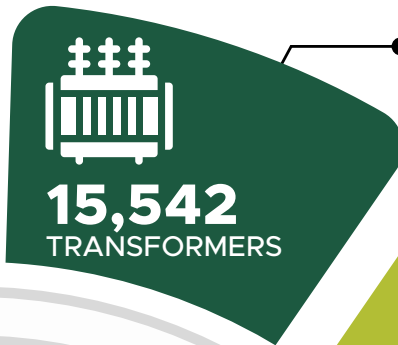
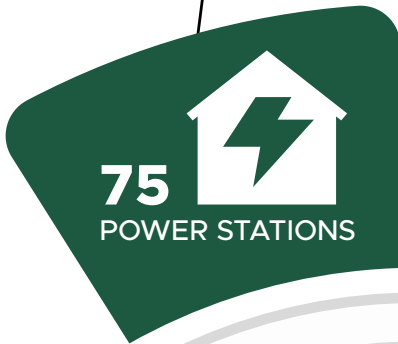
Installed generation capacity has increased **from 180 MW to 1,404 MW.**

Umeme facilitates upstream investments in generation as an efficient distributor

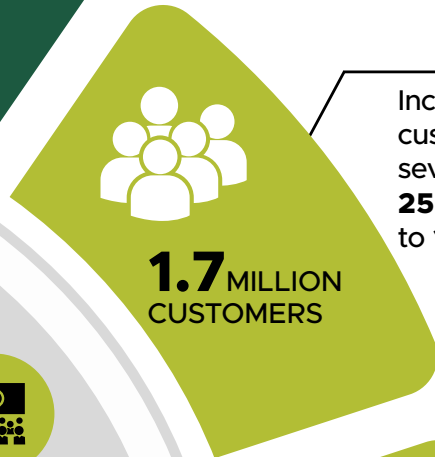


INSTALL GENER CAPAC

Rehabilitated & constructed new substations across our footprint to improve supply reliability. They now total **75**. We distribute **97%** of grid power in Uganda.



More than doubled network size to **40,642**, from 16,000km in 2005 and increased transformer zones from 6,000 in 2005 to **15,542**

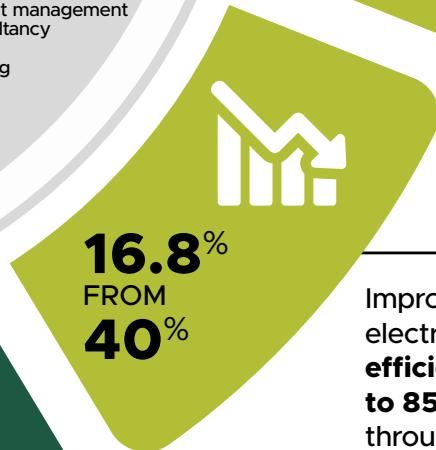


Increased the customer base seven-fold from **250,000** in 2005 to **1.7 million**



We source materials and services locally.

We employ **3,093** full-time and contracted staff.



Improved the electricity distribution efficiency from **50% to 85%** as of 2022 through reduction of energy losses to **16.8% from 40% in 2005**



Promoting Capital Markets through listing on the Uganda Securities Exchange and cross-listing on the Nairobi Securities Exchange.

We are publicly owned with over 6,263 shareholders. **NSSF is majority owner at 23.34%**

OUR SERVICES



OPERATION & MAINTENANCE

of the distribution network for safe, reliable, and efficient electricity distribution



CONSTRUCTION SERVICES

of electricity distribution infrastructure



SENSITIZATION

on safety and responsible use of electricity



RETAIL & COMMERCIAL SERVICES

customer service, billing & revenue collections



ADVISORY

- Technical
- Project management & consultancy
- Training



CUSTOMER CONNECTIONS

to the grid

24HR SERVICE



24HR SERVICE

We have 1.7 million customers on Yaka.

47 Service Centres open to customers throughout our footprint.

Umeme Limited

Rwenzori House, Plot 1 Lumumba Avenue. P.O.Box 23841, Kampala, Uganda

For inquiries, **email:** info@umeme.co.ug

Website www.umeme.co.ug

Tel: +256 (0) 312 360 600